A/68/5/Add.1

United Nations

United Nations Development Programme

Financial report and audited financial statements

for the year ended 31 December 2012

and

Report of the Board of Auditors

General Assembly
Official Records
Sixty-eighth Session
Supplement No. 5A

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A/68/5/Add.1

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Report of the Board of Auditors

United Nations • New York, 2013

Note

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Letters of transmittal and certification

30 April 2013

Pursuant to financial regulation 26.01, we have the honour to submit the financial statements of the United Nations Development Programme (UNDP) for the year ended 31 December 2012, which we hereby approve.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

We, the undersigned, acknowledge that:

The management is responsible for the integrity and objectivity of the financial information included in these financial statements.

The financial statements have been prepared in accordance with the International Public Sector Accounting Standards and include certain amounts that are based on management's best estimates and judgements.

Accounting procedures and related systems of internal control provide reasonable assurance that assets are safeguarded, that the books and records properly reflect all transactions and that overall, policies and procedures are implemented with an appropriate segregation of duties. UNDP internal auditors continually review the accounting and control systems. Further improvements are being implemented in specific areas.

The management provided the United Nations Board of Auditors and UNDP internal auditors with full and free access to all accounting and financial records.

The recommendations of the United Nations Board of Auditors and UNDP internal auditors are reviewed by the management. Control procedures have been revised or are in the process of being revised, as appropriate, in response to those recommendations.

We each certify that, to the best of our knowledge, information and belief, all material transactions have been properly charged in the accounting records and are properly reflected in the appended financial statements.

(*Signed*) Helen **Clark**
Administrator

(*Signed*) Jens **Wandel**
Assistant Administrator and Director
Bureau of Management

(*Signed*) Darshak **Shah**
Chief Finance Officer/Comptroller
Bureau of Management

The Chair of the Board of Auditors
United Nations
New York

30 June 2013

I have the honour to transmit to you the report of the Board of Auditors on the financial statements of the United Nations Development Programme for the year ended 31 December 2012.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the United Kingdom of
Great Britain and Northern Ireland
Chair of the United Nations Board of Auditors

The President of the General Assembly
of the United Nations
New York

Chapter I

Report of the Board of Auditors on the financial statements of the United Nations Development Programme: audit opinion

Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 December 2012 of the United Nations Development Programme (UNDP), which comprise the statement of financial position, the statement of financial performance, the statement of changes in net assets/equity, the statement of cash flow, the statement of comparison of budget and actual amounts (regular resources) and the supporting statements and explanatory notes.

Responsibility of management for the financial statements

The Administrator is responsible for the preparation and fair presentation of these financial statements in accordance with the International Public Sector Accounting Standards and for such internal control as deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditors

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement and include an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes an evaluation of the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of UNDP as at 31 December 2012 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

In our opinion, the transactions of UNDP that have come to our notice or that we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of UNDP and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex, we have also issued a long-form report on our audit of UNDP.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor-General of the United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2013

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Development Programme (UNDP) for the year ended 31 December 2012. The audit was carried out through field visits to UNDP country offices in Afghanistan, Tajikistan, Egypt, Malaysia, Argentina, Mexico, Thailand and Uganda, as well as a review of the financial transactions and operations at Headquarters in New York. The Board also reviewed general and application information technology controls of the financial system (Atlas) at Headquarters in New York and at the Global Shared Service Centre in Malaysia.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements of UNDP for the year ended 31 December 2012. The Board's opinion is set out in chapter I of the present report.

Overall conclusion

UNDP adopted the International Public Sector Accounting Standards (IPSAS) in 2012. The adoption of IPSAS brought about significant changes to the accounting policies of UNDP. These include the preparation of financial statements on an annual rather than a biennial basis. The adoption of the new IPSAS accounting policies also resulted in significant changes to the reporting of assets and liabilities. The Board's analysis of financial position of UNDP as at 31 December 2012 confirms that the organization is in good financial health. Implementation of the IPSAS accounting framework in 2012 was a major achievement, but a number of difficulties were encountered. Problems were experienced with the presentation and format of the financial statements, the recognition and valuation of assets and liabilities, and the inconsistent application of internal controls in field offices. The Administration responded positively to the Board's recommendations in those areas and made appropriate adjustments to the draft financial statements.

The Board, however, considers that UNDP is now faced with the challenges of improving systems, strengthening internal controls and improving decision-making processes and financial management if it is to realize the full potential of the benefits of IPSAS-based financial information. To ensure adequate accountability in the context of a highly decentralized structure, UNDP also needs to consider further strengthening its oversight and monitoring of field-level activities.

Key findings and recommendations

Follow-up of previous recommendations

The Board reviewed 33 recommendations made for the biennium 2010-2011, and noted that 8 recommendations (24 per cent) were fully implemented, while 25 recommendations (76 per cent) were under implementation. The Board also noted

that 6 out of the 25 recommendations under implementation will require a number of system changes and reforms, some of which involve other stakeholders, and will therefore take additional time to fully implement.

Implementation of the International Public Sector Accounting Standards

The financial statements for the year ended 31 December 2012 were the first prepared by UNDP in accordance with IPSAS.

The Board's review of IPSAS opening balances, as well as end-of-year financial statements, identified some items that had not been properly presented, including: incorrect or inappropriate presentation and disclosures within the financial statements; a number of fully depreciated assets which were still in use and whose useful life needed to be reassessed; inappropriate valuations of inventory; and inadequate disclosure in the statement of comparison of budget and actual amounts. Also, the Board notes that delays in the completion of the conversion of data required substantial changes to general ledger balances, resulting in additional time required in the preparation of accurate and complete IPSAS opening balances.

Inter-fund balances

At the year end, UNDP prepared reconciliations of outstanding balances with other United Nations agencies, which were agreed and countersigned by the United Nations agencies concerned. The Board notes that the previously disputed balance of $18.34 million with the United Nations Office for Project Services is still not settled and is formally under an arbitration process for resolution, and that an additional amount of $1.3 million is still under review with both parties. The Board considers that, as the dispute remains unresolved, it potentially impairs the reliability and value of the stated inter-fund balance.

Employee benefit liabilities (including after-service health insurance)

In its previous report (A/67/5/Add.1, para. 62), the Board recommended that UNDP develop a funding plan for its employee benefit liabilities (including after-service health insurance). The Board notes that as at 31 December 2012, UNDP had after-service health insurance liabilities amounting to $979.12 million (2011: $826.5 million) and had set aside funding of $494.87 million (2011: $453.5 million) representing some 50.55 per cent of the liability. The strategy of UNDP aims to fully fund all after-service health insurance liabilities over a period of 15 years commencing from January 2012. However, the Board is concerned that the increasing gap between the liability and funding available may jeopardize the achievement of the strategy.

Programme and project management

Recurring modified audit opinions for non-governmental organizations/national implementation modality

The Board noted that the financial statements of eight projects from six country offices had had recurring modified audit opinions for at least the past three years. The Board is concerned over the recurring modified audit opinions and the inadequate measures taken by UNDP to curb the situation.

Modalities of the harmonized approach to cash transfers

The Board reviewed the operations of the harmonized approach to cash transfers (HACT) in six countries and noted that there was variable practice in the conduct of macro- and microassessments designed to determine risks and the preferred modality for mitigating the risks associated with cash disbursements. In four countries, there were no formal agreements with the governments outlined in the country programme action plan. As a result, assurance of the use of programme funds in the host country relied mainly on the established audit regime of the non-governmental organization/national implementation modality. The level of HACT and macro- and microassessments performed in the countries visited by the Board was below 50 per cent.

Procurement and contract management

The Board noted that two countries had procured goods and services in the amount of $0.22 million (for six contracts) through direct contracting without proper justification for the method used.

Asset management

The Board found that the asset management module does not have adequate controls to restrict multiple recording of asset serial numbers. The Board found duplicate serial numbers in 87 assets (valued at $0.21 million), including information technology equipment and motor vehicles, recorded in Atlas.

Information technology

The Board reviewed general and application controls over information systems at the Global Shared Service Centre in Malaysia and Headquarters in New York, and found that: (a) some user accounts of employees separated from UNDP were yet to be removed or suspended from the system; (b) 13 users in the system had been granted incompatible rights to both receiving and buying roles in the system; and (c) 16 users had been granted more than one user account in both the finance and the human resources management modules in Atlas. Failure to adequately control users' roles and access to systems weakens internal financial and operational controls and increases the risk of fraud or error.

Recommendations

The Board has made a number of detailed recommendations based on its audit that are contained in the body of the report. The main recommendations are that UNDP:

(a) **Consider the inclusion of all resources in the statement of comparison of budget and actual amounts to enhance the comparability and understandability of the statement; and determine the net realizable value or current replacement cost of inventory on a case-by-case basis for each country office instead of using a generalized formula;**

(b) **Resolve disputes regarding the inter-fund balance with UNOPS through reconciliation and dialogue as soon as possible; and establish an effective reconciliation mechanism to avoid disagreements arising in future, including settling the inter-fund balance at more regular intervals;**

(c) Regularly review (preferably annually) the funding plan for after-service health insurance liability to ensure it remains appropriate;

(d) Take appropriate actions to address the causes of recurring modified audit opinions through engaging the regional bureaux and the respective implementing partners; and enhance review of cash transfer modalities to provide assurance over amounts spent by implementing partners;

(e) Enhance the roles of oversight and monitoring of implementation of the HACT framework at country offices by regional bureaux and consider establishing follow-up mechanisms that will provide assurance over compliance with procedures;

(f) Improve monitoring mechanisms by sending regular reminders to country offices to enhance compliance with competitive procurement procedures;

(g) Strengthen the asset management module system controls to prevent the entry of duplicate serial numbers for relevant asset categories; and update the register to include missing information and remove duplicate or erroneous information;

(h) Improve the information technology general controls to enforce adequate segregation of duties and ensure that conflicting roles are not granted to one user;

(i) Ensure that dormant user accounts or accounts of former employees are deactivated promptly.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Development Programme (UNDP) for the year ended 31 December 2012 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, as well as the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNDP as at 31 December 2012 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of UNDP. The audit included a general review of financial systems and internal controls and testing of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of UNDP operations under financial regulation 7.5 of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of UNDP operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report on it accordingly. Those matters are addressed in the relevant sections of the present report, and the summary of the results is included in annex I.

4. The Board performed the annual audit of the UNDP-Global Environment Facility Trust Fund. The Board issued an unmodified audit opinion for the year ended 31 December 2012.

5. The Board continues to report the results of its audits to UNDP management in the form of management letters containing detailed observations and recommendations. This practice allows for ongoing dialogue with UNDP management, and, in this regard, two management letters were issued covering the period under review.

6. The Board coordinates with the Office of Audit and Investigations in planning its audits to avoid duplication of effort and to determine the extent of reliance that could be placed on its work.

7. Where observations in the present report refer to specific locations, such observations are limited only to the locations specified. They do not in any way imply that they are applicable to other locations. However, some recommendations are addressed to the entire organization where the nature of the findings suggests that they may be common to other UNDP offices and will benefit from transversal remedial action.

8. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly, including any specific requests from the General Assembly and the Advisory Committee on Administrative and Budgetary Questions.

9. The Board's observations and conclusions were discussed with UNDP management, whose comments have been appropriately considered in the report.

10. The recommendations contained in the present report do not address the steps which UNDP may wish to consider in respect of officials for cases of non-compliance with its Financial Regulations and Rules, administrative instructions and other related directives.

B. Findings and recommendations

1. Follow-up of previous recommendations

11. The Board assessed the 33 recommendations made for the biennium 2010-2011 and noted that 8 recommendations (24 per cent) had been fully implemented, while 25 recommendations (76 per cent) were under implementation. Details of the status of implementation of those recommendations are shown in annex I. The Board considers that positive progress has been made in response to its recommendations.

12. Management informed the Board that consistent with practices adopted in previous bienniums, UNDP has adopted a phased approach to the implementation of the audit recommendations. Target completion dates have been set for recommendations based on a management assessment of the effort and complexity involved in fully addressing them. The phased approach also minimizes disruption of work at UNDP headquarters and country offices during peak periods. As reported to the Executive Board in its January 2013 session (DP/2013/8), UNDP has targeted implementation of 17 recommendations by the end of the second quarter of 2013 and the remaining recommendations in the last two quarters of 2013.

Recommendations under implementation

13. The Board noted that six of its recommendations that are under implementation require a number of changes and reforms which involve other stakeholders. Those recommendations require UNDP to (a) seek further cooperation from its partners in managing funds and improve related monitoring processes; (b) collaborate with other United Nations agencies to ensure complete and timely submissions of reconciliations of inter-agency balances; (c) resolve disputes regarding inter-fund differences in the inter-fund account with the United Nations Office for Project Services (UNOPS); (d) obtain confirmation of the inter-fund balance from UNOPS prior to closure of its account and ensure that it reconciles with the balance in the inter-fund account; obtain semi-annual reports and certifications from UNOPS and ensure the reported inter-fund balance by UNOPS is fairly stated before UNOPS processes transactions related to the management service arrangements; (e) consider enhancing the roles of oversight and monitoring of implementation of the HACT framework at country offices; and putting in place mechanisms for fostering a common understanding and application of the framework by country offices as part of an inter-agency process; and (f) strengthen

oversight and monitoring of field-level activities associated with procurement, trust funds, projects, asset management, HACT and human resources, to ensure accountability in the context of its highly decentralized structure and compliance with UNDP policies and procedures. The Board acknowledges the efforts of UNDP in handling those issues and considers the pace of implementation to be positive.

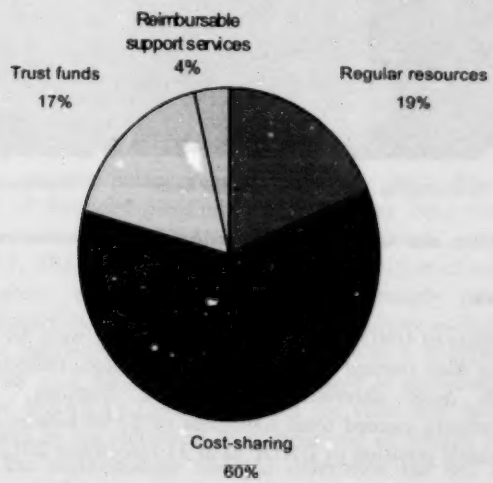
14. The Board evaluated 25 recommendations from previous bienniums that were yet to be fully implemented and noted that 1 (4 per cent) related to the period 2004-2005; 3 (12 per cent) related to the period 2006-2007; 4 (16 per cent) related to the period 2008-2009; and 17 (68 per cent) related to the period 2010-2011.

2. Financial overview

Revenue and expenses

15. UNDP revenue includes voluntary contributions, revenue arising from exchange transactions (revenue generated by exchange of goods or services), investment revenue and other revenues. During the year under review, the total revenue amounted to $5.09 billion and total expenses amounted to $5.26 billion, resulting in a deficit of $0.17 billion. In 2012, voluntary contributions amounted to $4.74 billion, representing 93 per cent of the total revenue for the year. The amount included the following: cost-sharing, $2.86 billion (60 per cent); regular resources, $0.88 billion (19 per cent); trust funds, $0.81 billion (17 per cent); and $0.19 billion (4 per cent) from reimbursement support services and miscellaneous activities.

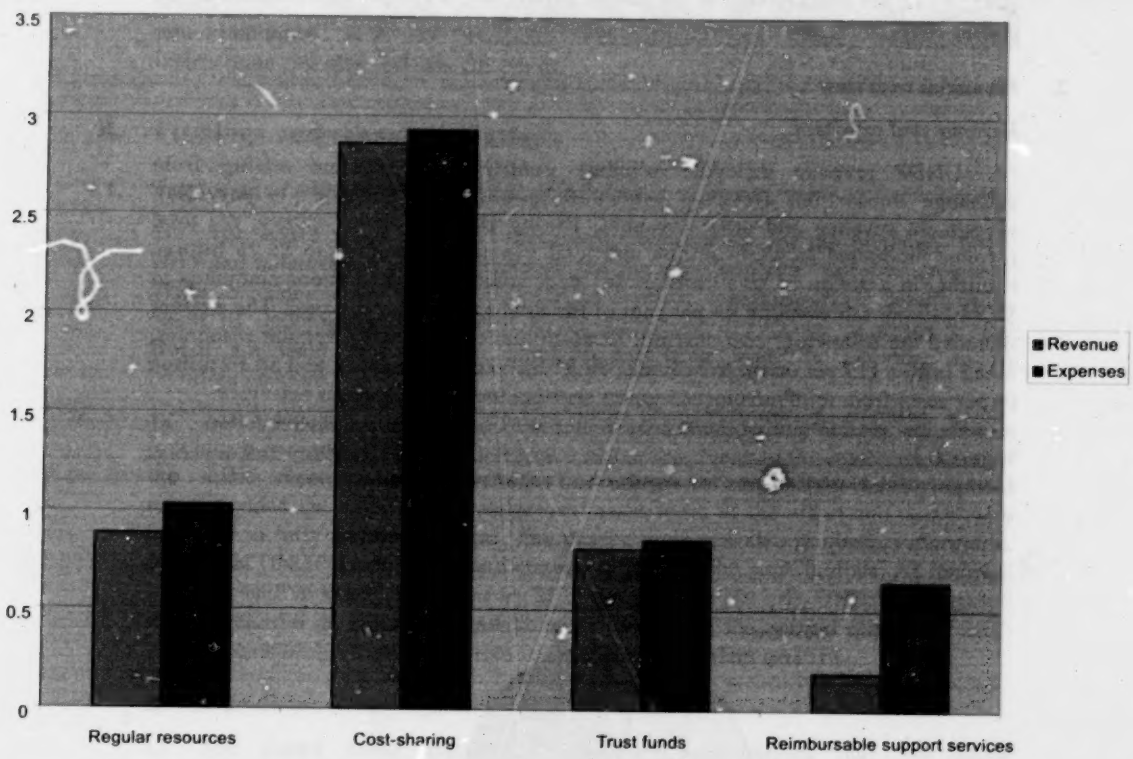
Figure II.I
Comparative contributions for regular and other resources



16. Analysis of expenses during the reporting period as set out by segment in the statement of financial performance is as follows: expenses related to cost-sharing were $2.93 billion; expenses for regular resources were $1.03 billion; expenses for trust funds were $0.86 billion; and expenses for reimbursable support services were $0.65 billion. Classification of those expenses by nature comprises of $2.19 billion

for contractual services, $0.98 billion for staff costs, $0.7 billion for supplies and consumables, $0.86 billion for general operating expenses (net of $.21 billion for cost recovery), $0.3 billion for grants and other transfers, and $0.15 billion for other expenses, depreciation and finance costs.

Figure II.II
Comparative revenue and expenses
(Billions of United States dollars)



Source: The Board's analysis of UNDP financial statements for the period ended 31 December 2012.

Assets and liabilities

17. The current assets of UNDP as at 31 December 2012 were $4.11 billion, which are 4.6 times greater than current liabilities of $0.9 billion, reflecting the ability of the Programme to meet short-term obligations. Similarly, total assets of $6.65 billion comfortably exceed total liabilities of $1.98 billion by 3.4 times and show a healthy financial position of UNDP as at 31 December 2012.

18. In accordance with the Financial Regulations and Rules approved by its Executive Board, UNDP held $360 million in reserves and $4.3 billion as accumulated surplus, which represents resources paid in advance by partners for the implementation of planned UNDP programme activities in future years.

3. Implementation of the International Public Sector Accounting Standards

19. In accordance with General Assembly resolution 61/233 A, and in response to the comments of the Advisory Committee on Administrative and Budgetary Questions in its report regarding the adoption of the International Public Sector Accounting Standards (IPSAS) (A/65/782), the Board reviewed IPSAS opening balances and the dry-run interim financial statements to establish the level of compliance with IPSAS. Also, the Board conducted audit visits to country offices, including Argentina, Mexico, Egypt, Tajikistan, Malaysia, Thailand and Afghanistan, and noted that those country offices were not fully prepared for the adoption of IPSAS. Matters arising were reported to UNDP through management letters, and UNDP responded positively to the Board's recommendations.

20. The financial statements of UNDP as at 31 December 2012 have been prepared in accordance with IPSAS, which is an accrual basis of accounting. Prior to 1 January 2012, UNDP prepared its financial statements in accordance with the United Nations system accounting standards (UNSAS), which prescribed the use of a modified accrual basis of accounting.

21. The adoption by UNDP of IPSAS reporting standards and the conversion to full accrual accounting as prescribed by IPSAS has resulted in significant changes to accounting policies and in the types and measurement of assets, liabilities, revenues and expenses. Implementation of IPSAS will allow UNDP to realize a number of key benefits, including:

(a) A platform for improving operational performance and financial management across the organization;

(b) Better measurement and understanding of the full costs of operations and for benchmarking or comparing costs against similar organizations;

(c) More elaborate information on the use of resources and the extent of liabilities; and such information may be used to improve management of fixed assets, inventory, payroll and employee benefits.

22. The Board notes that a number of adjustments and reclassifications were made to the accounting records of UNDP as at 31 December 2011 to arrive at restated IPSAS-compliant opening balances as at 1 January 2012. The total assets in the IPSAS statement of financial position as at 1 January 2012 were $258.26 million higher than in the reclassified UNSAS statement of financial position of UNDP as at 31 December 2011. The increase resulted from recognition of receivables, property, plant and equipment, and inventory that were formerly not recognized under UNSAS. Total liabilities increased by $408.08 million owing to recognition of employee benefit liabilities; thus, the net effect was a decrease in net assets of $149.82 million as at 1 January 2012. The Board is encouraged by the pace of implementation of IPSAS by UNDP but is of the view that further scope exists to improve disclosures in the statement of comparison of budget and actual amounts, and to improve the methodology used to determine the net realizable value or current replacement costs of inventory for comparison with the cost.

23. **To further enhance its IPSAS financial statements, the Board recommends that UNDP: (a) consider the inclusion of all its budgeted resources in the statement of comparison of budget and actual amounts in order to enhance comparability and understandability of the statement; and (b) perform**

case-by-case determination of net realizable value/current replacement cost of inventory instead of using a generalized formula.

4. Inter-fund balances

UNDP and UNOPS inter-agency balance

24. The Board, in its previous report (A/67/5/Add.1, para. 52), recommended that UNDP resolve the long outstanding dispute regarding inter-fund differences in its accounts with UNOPS. At the year end, UNDP prepared reconciliations of outstanding balances with other United Nations agencies which were agreed and countersigned by the agencies concerned. The Board notes that the previous dispute with UNOPS regarding the balance of $18.34 million has still not been settled and is formally under an arbitration process for resolution. The Board also notes that an additional amount of $1.3 million is still under review with both parties. The Board considers that, as the dispute remains unresolved, it has the potential to impair the reliability and value of the stated inter-fund balance.

25. **UNDP agreed with the Board's recommendation that it resolve disputes regarding the inter-fund balance with UNOPS through reconciliation and dialogue no later than 31 December 2013 and establish an effective reconciliation mechanism to avoid disagreements arising in future, including settling the cumulative inter-fund balance at monthly intervals.**

5. End-of-service liabilities

Funding for after-service health insurance liabilities

26. The Board, in its previous report (A/67/5/Add.1, para. 62) recommended that UNDP develop a funding plan for its end-of-service liabilities (including after-service health insurance). The Board noted that as at 31 December 2012, UNDP liability for future after-service health insurance costs were estimated to be $979.12 million (2011: $826.5 million) and that UNDP had set aside funding of $494.87 million (2011: $453.5 million), representing 51 per cent of the liability. The Board noted that the proportion of the after-service health insurance liability which is funded has fallen significantly in recent years. In 2009, UNDP had set aside funding of $373.3 million in respect of an after-service health insurance liability of $430.3 million, leaving an unfunded liability of $57 million. In 2011, the after-service health insurance liability had grown to $826.5 million, and the funded portion was $453.5 million, leaving an unfunded liability of $373 million. In 2012, the unfunded liability has increased further to $484.3 million. The Board is concerned to note the substantial increase in the unfunded portion of after-service health insurance liability.

27. **UNDP agreed with the Board's recommendation that it review (preferably annually) the after-service health insurance liability funding plan to ensure that it remains appropriate.**

6. Treasury management

28. During the review of the statement of financial position as at 31 December 2012 and its respective schedules and notes, the Board noted that contributions received from donors that formed part of the unapplied deposit balance of $9.88 million were

yet to be applied to relevant trust funds or projects. The balance was disclosed under other current liabilities until such time as donors sign the agreement.

29. Signed agreements are required before contributions received from donors can be applied for the intended purpose. In 2012, UNDP regularly followed up with donors regarding the signing of agreements and, as a consequence, the level of unallocated balances was reduced from $39.8 million as at 31 December 2011 to $9.8 million as at 31 December 2012. Where UNDP has been unsuccessful in getting signed agreements, the funds were returned to the donor and the unapplied deposits balance was cleared. Of $9.88 million held as at 31 December 2012, the Board noted that some $1.33 million were related to unallocated outstanding balances for periods ranging from 118 to 1,396 days.

30. **UNDP agreed with the Board's recommendation that it continue to communicate with the donors to ensure that agreements are signed and funds are applied in a timely manner.**

7. Programme and project management

The audit of nationally implemented projects

31. UNDP, with the support of its internal audit department, the Office of Audit and Investigations, maintains a well defined and documented process to monitor and follow up on projects implemented through the national implementation modality (NIM). The Board has noted improvements in the management of the process, which now includes the regional bureaux following up with country offices on the NIM audit process. During the year under review, a total of $2.4 billion was used through the national implementation modality, representing 46 per cent of total expenses.

Delay in project completion

32. During its country office visits, the Board noted examples of delays in project implementation. For example, in the Malaysia country office, records showed that the office had 14 projects scheduled to be completed in December 2012. At the time of audit (November 2012), the Board noted that 5 of those 14 projects (with a combined value of $0.69 million) were between 40 and 50 per cent complete, and 7 projects ($2.2 million) were between 70 and 90 per cent complete.

33. At the Argentina country office, the Board noted 52 projects that had been operationally closed in 2009 were not yet financially closed at the time of audit (October 2012). Out of the 52 operationally closed projects, 34 (64 per cent) held fund balances amounting to $2.6 million. The Board was informed by UNDP that the delay in closing those projects was the result of changes in political and institutional arrangements, for instance, the split of the host ministry in Argentina, which had resulted in a project not having a direct reporting ministry. The Board is concerned that the financial closure of projects is taking much longer than planned and that funds are being retained which could either be returned to the donor or applied to other purposes.

34. **The Board recommends that UNDP: (a) monitor and track projects' implementation progress reports and ensure that they are completed on time; and (b) ensure that country offices update the status of projects in the Atlas system and actively address causes of delays in the completion of projects.**

35. UNDP informed the Board that two of the six projects in Malaysia had been formally postponed to 2013 and that in Argentina, the country office would address the causes of delays in financial closures.

Delayed submission of NGO/NIM audit reports for the financial year ended 2012

36. The Board previously highlighted the delays in submitting audit plans and audit reports by country offices. In the period under review the Board examined the NGO/NIM expenses reported in Atlas as at year end. Of $2.40 billion expenses reported, some $1.93 billion (80 per cent) were planned to be audited by 30 April 2012 by audit firms/supreme audit institutions.

37. The Board noted that as of 8 May 2013, 199 out of 1,006 planned NGO/NIM audit reports (20 per cent) were yet to be submitted (uploaded in the Comprehensive Audit and Recommendations Database System) by the due date of 30 April 2013, as stipulated by the Office of Audit and Investigations. As of 15 June 2013, 49 reports were still outstanding representing 5 per cent of planned audit reports and 3 per cent of expenses.

38. The Board was concerned that 199 of the targeted projects had yet to submit their audit reports. Such delays may affect the reviews and final audit processes of the Office of Audit and Investigations.

39. **UNDP agreed with the Board's reiterated recommendation on ensuring that all regional bureaux are working closely with country offices, and ensuring that instructions of the Office of Audit and Investigations are complied with and that all audit reports are submitted within the required period.**

Recurring modified audit opinions for non-governmental organizations — national implementation modality audited projects

40. The Board previously recommended that UNDP regional bureaux consider the results of the NIM audit process and work with implementing partners to address any weaknesses identified with a particular focus on implementing partners who have recurring modified audit reports.

41. The Board reviewed 113 NGO/NIM project audit reports from 16 countries. Eighty-one project audit reports had been submitted and accepted by the Office of Audit and Investigations as of 6 May 2013. The Board noted that in 2012, 9 out of 78 projects with modified audit opinions had had recurring modified audit opinions for at least the last three consecutive years, with cumulative audited expenses of $28.9 million.

42. The Board also noted that the reasons for modifications of the audit opinions included: duplication of expenses of project activities; errors in posting of transactions; differences between the records in Atlas and the Funding Authorization and Certificate of Expenditures form; and incorrect amounts of year-end cash reported by implementing partners.

43. The Board noted a reduction in the number of modified audit opinions to 78 in 2012 (from 105 in 2011). The Board encourages UNDP to continue curbing the risk associated with utilization of project funds by implementing partners. Also, the Board considers that proper and full implementation of HACT and the close

engagement of the regional bureaux and implementing partners would address some of the causes of modified audit opinions.

44. **UNDP agreed with the Board's recommendation that it take appropriate actions to address the causes of recurring modified audit opinions through engaging the regional bureaux and respective implementing partners. Enhancing review of the cash transfer modalities would also provide additional assurance over amounts spent by implementing partners.**

Justice and Human Rights in Afghanistan project, phase 1

45. The Government of Afghanistan and the international community are engaged in a number of projects aimed at strengthening the credibility of the formal justice system. At the Afghanistan country office, the Board reviewed the Justice and Human Rights in Afghanistan project, phase 1, which started on 26 June 2009 and was completed on 30 June 2012. This project succeeded two previous projects for the finalization of the activities of previously piloted projects as well as new activities that were identified by the Government as key priorities. The Board noted the following deficiencies associated with the implementation of the project:

(a) According to the final report of 2009 for one of the previous projects (concerning access to justice at the district level), a number of activities had been completed, including, for example, the rehabilitation of court facilities and officials' residences. However, the Board found that some of the same activities, with a total value of $0.67 million, had also been reported as activities completed under the new justice and human rights project without clear cut-off of expenses incurred under the access to justice and the justice and human rights projects;

(b) As at 2 December 2012, under the justice and human rights project $1.72 million had been paid to contractors for the construction and rehabilitation of 19 facilities, which included judicial residences, joint Ministry of Justice/Legal Affairs (Huquq)/Attorney-General's offices and detention centres in 15 districts, which were reported to have been completed. The end result of the construction and rehabilitation of the facilities was meant to be the formalization of the legal system in Afghanistan. The Board noted that the intended output that was expected to be achieved may not have been fully attained, as Afghanistan was still following the traditional justice system instead of embarking on the formal justice system. The Board considers that the impact of the project cannot be measured effectively, since no baseline survey was conducted at the start, and there are no statistics to show whether the benefits intended have been realized;

(c) The justice and human rights project also established a translation unit at the Supreme Court at a cost of $0.95 million. The Board noted that the translation unit had not been integrated into the Supreme Court organizational structure, and its operations had been suspended shortly after the unit was handed over to the Government in the year 2010;

(d) The justice and human rights project has not been audited since its inception in July 2009 despite having spent a total of $11.46 million over three years.

46. **UNDP agreed with the Board's recommendation that it: (a) ensure that for any future project, it further strengthen the identification and assessment of inherent external risks that may hamper project implementation and establish**

mitigating tactics; (b) consider a retrospective audit of the justice and human rights project from its inception to its closure in order to identify lessons for future projects; (c) revisit the project expenses incurred for the period from July to December 2009 and ensure that there was no duplicate expense on the same activities for the Justice and Human Rights in Afghanistan project against activities implemented by the Strengthening the Justice System of Afghanistan or the Access to Justice at the District Level projects.

8. Modalities for the harmonized approach to cash transfer

47. The framework for HACT is a risk management approach to the process of transferring cash to implementing partners. It aims at: (a) reducing transaction costs pertaining to the country programmes of the Executive Committee agencies by simplifying and harmonizing rules and procedures; (b) strengthening the capacity of implementing partners to effectively manage resources; and (c) helping manage risks related to the management of funds and increase overall effectiveness.

Funding Authorization and Certificate of Expenditures for national implementation modality projects (Tajikistan)

48. During the year under review, the Tajikistan country office had two projects under the national implementation modality. The Board noted that funds had been disbursed without using the Funding Authorization and Certificate of Expenditures (FACE) form, which was designed for the requisition, authorization and reporting of funds and supporting expenses as required under the HACT framework.

49. The Board noted that the UNDP Office of Audit and Investigations had also reported cases of inappropriate recording on FACE forms in the Democratic Republic of the Congo country office, error in expense coding in the use of the FACE form in the China country office; and that in the Ecuador country office, FACE forms were used only for advances to implementing partners and not for direct payments. The Board considers the FACE forms to be important, because they provide assurance of the funds authorized and spent in projects.

50. **UNDP agreed with the Board's recommendation that it ensure that Funding Authorization and Certificate of Expenditures forms are used as required under the HACT framework.**

Performance of macro- and microassessments

51. Macroassessments are conducted in order to ensure that there is an adequate awareness of the public financial management environment within which agencies provide cash transfers to implementing partners. This review is expected to be undertaken once per programme cycle, preferably during preparation of the common country assessment, and may be updated whenever significant changes in the country's governance system occur. Microassessments are required to be conducted on the financial management capacity of each implementing partner, primarily to help guide the frequency and coverage of assurance activities and to inform the identification of appropriate modalities and procedures for the provision of cash transfers to implementing partners.

52. The Board noted that in only one of the six country offices visited had both macro- and microassessments been undertaken. In other cases, macro- and

microassessments had not been performed as required by the framework. As a result, assurance of the use of programme funds in the host country relied mainly on the NGO/NIM audit regime.

53. Although HACT is principally the common operational framework adopted by all members of the United Nations Development Group Executive Committee agencies for transferring funds to implementing partners, the Board found that there was no formally endorsed certification of HACT by those agencies. Furthermore, a standard narrative on the HACT modality was not being inserted in country programme action plans as per the requirement highlighted in the framework for cash transfer to implementing partners. The Board also noted that some governments were not willing to implement the HACT framework.

54. **The Board reiterates its recommendation that UNDP: (a) enhance the roles of oversight and monitoring of implementation of the HACT framework at country offices by the regional bureaux; and (b) consider establishing follow-up mechanisms that will provide assurance over compliance with procedures.**

9. Procurement and contract management

Inadequate procurement planning

55. The Board previously emphasized the need for individual and consolidated procurement plans at all country offices and headquarters. In this regard, the Board noted that the Office of Audit and Investigations had reported inadequate procurement planning in eight country offices. The Board is concerned to note the apparent lack of progress in this area and the continued risk that value for money is not being obtained owing to inadequate planning of procurement actions.

56. **UNDP agreed with the Board's recommendation to: (a) remind the country offices to prepare procurement plans and introduce regular review mechanisms to ensure that they meet the minimum information disclosure requirements of the Programme and Operations Policies and Procedures; and (b) ensure that consolidated procurement plans are in place to secure improved value for money that may arise from economies of scale and increased purchasing power.**

Using direct contracting without proper justification

57. The Board noted that two country offices had procured goods and services amounting to $0.22 million from six procurements through direct contracting without proper justification. Neither country office referred to any waiver for direct procurement. Failure to follow appropriate procurement processes increases the risk of poor value for money and fraudulent transactions. The use of direct contracting may also be further evidence of poor planning and implementation of procurement.

58. **The Board recommend that UNDP: (a) improve monitoring mechanisms through sending regular reminders to country offices that they should enforce compliance with competitive procurement procedures; and (b) ensure proper planning of procurement activities to allow for competitive bidding procedures.**

10. Asset management

Inadequate records of property, plant and equipment

59. The Board noted duplicate entries in the asset management module for the records of 87 items of property, plant and equipment with a value of $0.21 million. UNDP management confirmed that 67 of the items noted were cases of erroneous duplication of the asset serial numbers but not actual duplicate assets, but that the records for 20 items of property, plant and equipment were duplicates and would be retired from the asset register. Records for the remaining four items of property, plant and equipment were under review by management to determine their exact status. The Board also noted that some property, plant and equipment assets, mainly ICT equipment and motor vehicles, had been recorded without their serial numbers, which could hinder their future identification and control. The Board notes that the assets management module lacks adequate controls to restrict multiple recording of asset serial numbers.

60. Preventive system controls, when properly implemented, are effective in reducing the risks of entering both intentional and unintentional errors in system data. If controls are weak, users may enter incorrect or duplicate records which could result in material misstatement of property, plant and equipment in the financial statements.

61. **UNDP agreed with the Board's recommendation that it: (a) find a solution to restrict the entry of duplicate serial numbers for relevant asset categories; and (b) update the register to include the missing information and remove the duplicates.**

Inventory management

62. The Board reviewed inventory records from eight country offices and noted that all records relating to inventory management in country offices were maintained in hard copies, as the inventory management module in Atlas was not used. Also, the country offices had not performed physical inventory counts in the first quarter of 2012, nor had they issued inventory control reports, contrary to the requirements of the Programme and Operations Policies and Procedures.

63. UNDP informed the Board that the exercise for cleansing inventory data for the year ended 31 December 2011 had been carried out in the first quarter of 2012, and therefore the stock count exercise had not been performed for that reason.

64. **UNDP agreed with the Board's recommendation that it send regular reminders to country offices to ensure that inventories are counted on a quarterly basis as per the requirements of the Programme and Operations Policies and Procedures.**

11. Human resources management

65. The Board noted weaknesses in leave administration, control of overtime, performance evaluation and implementation of approved organizational structure at the country offices visited, for example:

(a) At the Mexico country office, the Board noted that attendance record cards in 11 personnel files had not been signed by either the employees or the supervisors for the whole of 2011. The Board also noted that in 2012, attendance

recording had been done in the system, but approval of the records had not been done. In addition, staff leave request forms in 8 out of 13 personnel files selected were not approved by the respective supervisors. The Board is concerned that attendance records unsigned by either party might result in incorrect leave balances. The Board also reviewed extensions of individual service contracts and noted that 4 out of all 13 staff (31 per cent) at the country office had no reports on the results of performance evaluation that would form a basis for renewal of their contracts;

(b) At the Argentina country office, the Board noted that despite approval of posts in February 2012, at the time of audit (November 2012) only 18 posts out of 22 (81 per cent) had been filled. The four unfilled posts had remained vacant for 240 days despite the fact that those posts had been approved and budgeted. The Board is of the view that not filling vacant posts for a long time might lead to unnecessary overtime payments.

66. Also, the Board noted that 23 out of 24 overtime request forms (96 per cent) had not been authorized in advance as required by UNDP policies and procedures. In some cases, supervisors had not signed the forms to indicate when the overtime schedule had been approved. The Board is of the view that this might lead to unauthorized or fictitious overtime payments, which might result in financial loss.

67. The Board considers that the findings indicate the need to strengthen human resources management in the field to ensure compliance with controls and processes as stipulated in the Programme and Operations Policies and Procedures and to improve the use of the e-service module of the Atlas system for monitoring human resources management activities.

68. **UNDP agreed with the Board's recommendation that it: (a) monitor compliance with the approved human resources management procedures as per the Programme and Operations Policies and Procedures; and (b) improve the use of the e-service module of the Atlas system for monitoring the timely processing of human resources management activities.**

12. Information technology

Information and Communications Technology (Headquarters)

69. The Board reviewed general controls within the Atlas system, as well as application controls at the Global Shared Service Centre in Malaysia and at Headquarters in New York. The review covered access control and segregation of duties in Atlas, management of user accounts, governance, security management, programme change control, facilities and environmental controls and business continuity and information technology (IT) disaster recovery. It also reviewed input application controls over revenue and asset management processes, and the Global Shared Service Centre business model. The audit covered the period from 1 January to 30 October 2012.

Delay in deactivating user accounts of former employees in the Atlas (enterprise resource planning) system

70. The Board found that the Atlas enterprise resource planning system is susceptible to the risk of unauthorized access and users performing unauthorized transactions due to control weaknesses.

71. All separated UNDP staff members are required to sign out through the Office of Human Resources as part of the exit process prior to their last day of employment. Requests to remove (suspend) an account are then required to be processed through the authorized Atlas role generation and user provisioning system as expeditiously as possible.

72. The Board noted that user accounts of employees separated from UNDP were not removed or suspended from the system on a timely basis. For instance, from the review of a sample of 60 user accounts, the Board noted that by 14 November 2012, six former employees who had separated from UNDP in the period from January to October 2012 were still active in the system. From a further review of the details of their last sign-on, the Board noted that one out of the six ex-employees had continued to sign into Atlas after his separation date. The Board also identified another six employees who had also accessed the Atlas system beyond their separation dates but who, at the time of the audit, had had their profiles suspended.

73. UNDP informed the Board that there was a limitation to the automated process used to deactivate a user when the human resources record indicates that their contract has terminated. Management has identified this issue and plans to implement the necessary system enhancements to rectify the problem. Also, in some cases, retired staff could be given an extension to access the system.

74. **UNDP agreed with the Board's recommendation that it: (a) improve the communication procedures between the Human Resources Office and the Atlas role generation and user provisioning system focal points to ensure that user accounts for employees leaving the entity are disabled promptly; and (b) establish a more rigorous process to ensure that Atlas role generation and user provisioning system focal points perform regular review of user accounts and profiles as per the internal control framework requirement.**

Absence of segregation of duties between buying and receiving functions in Atlas

75. For the purpose of ensuring adequate segregation of duties and minimizing the risk of fraud and error, the UNDP internal control framework requires that a person assigned to the role of buyer in the system cannot also receive goods, services or works in the system.

76. Access rights in Atlas to perform certain roles are granted by designated Atlas role generation and user provisioning system requestors and approvers by means of user profiles. When reviewing the profiles of users who were granted receiving and purchasing roles, the Board found that 13 users had been granted a combination of both buyer and receiver profiles contrary to the requirement of the internal control framework. Allocating conflicting roles to the same user undermines the principle of segregation of duties and exposes UNDP to increased risks of fraud or error that would affect transactions.

Multiple accounts granted to a single user

77. The standards applied by UNDP require that a unique user identification be assigned to an individual and that each staff member be granted only one user profile, consistent with defined roles. The internal control framework, under the segregation of duties section, also emphasizes the importance of granting a single profile to a user to avoid allocation of conflicting duties.

78. The Board found 16 users who had been granted more than one user account in both the Atlas finance and the human resources management modules. The Board also observed two instances in which a user had been granted two accounts relating to different countries, and two instances where a single user had been granted different profiles with conflicting roles. Inadequate controls over user access and privileges could allow staff to circumvent controls designed to enforce the segregation of duties and could enable them to process fraudulent transactions.

79. **UNDP agreed with the Board's recommendation that it ensure that no single user is granted more than one profile and, whenever it is necessary to do so, a rigorous process for approval be in place to ensure that no conflicting roles are granted to the same user where there is no pressing need.**

80. **UNDP agreed with the Board's recommendation that it implement adequate compensating controls, such as routine reviews of the transactions processed, where conflicting roles are granted by the use of multiple accounts per user or multiple profiles per user.**

Global Shared Service Centre

81. In the course of migration to IPSAS, UNDP established the Global Shared Service Centre to provide IPSAS transactional recording (in the areas of revenue, expenses and fixed assets) and advisory and support services to UNDP offices worldwide and to provide training to UNDP offices where needed. The intention was to maximize the use of central expertise and provide assistance in complex accounting areas. In the course of its audit, the Board reviewed the activities of the Centre and noted the following.

Full implementation of operations of the Centre

82. Although the scope of operations of the Centre was intended to support IPSAS workflows for revenue, expense and asset management, the Board's review of the operating model of the Centre for the period from January 2012 to 31 October 2012 found that only revenue and asset management are being operated under the Centre. Expense management is still operating in UNDP at Headquarters.

83. The Board is of the view that the delayed handover of the expense management function to the Centre significantly reduces the benefits of having set up the Centre.

84. **UNDP agrees with the Board's recommendation that it develop an action plan to hand over expense management processing to the Global Shared Service Centre in order to make optimum use of the Centre.**

Loans to governments

85. Loans to governments, which were established in 1979 and are known as the reserve for field accommodation, was an arrangement whereby UNDP constructed buildings, and the respective government provided the required land. The construction costs for the buildings were recognized in UNDP books as a loan to the government, and UNDP occupied the respective buildings. Signed agreements between UNDP and the respective governments required interest payments of 5 per cent to be computed annually on the principal (construction costs). The loans are recovered through the leasing by UNDP of the buildings from the governments. The

Board reviewed 15 contracts with governments for the reserve for field accommodation and noted that only 8 (53 per cent) had been fully recovered.

86. The Board also noted the following:

(a) The loan contract arrangements required interest to be charged on the outstanding loan. However, interest is not and has not been charged since the inception of the reserve for field accommodation;

(b) Of the seven contracts with governments who had yet to settle their loans, it was observed that only the Maldives country office had recognized and accounted for rent payable by UNDP ($0.53 million) to the government and a corresponding amount as receivable from the government as loan repayments as at 31 December 2011, but had not recognized rent due for the year ended 31 December 2012. The remaining six countries had yet to recognize rent payable to the governments and receivable from the governments as at 31 December 2012. The UNDP Head Office issued instructions to the country offices in April 2013 to ensure that those amounts are recognized in their records going forward;

(c) In 2012, only three country offices (Comoros, Cape Verde and Guinea-Bissau) had recognized rent income from tenants other than the United Nations Development Group Executive Committee agencies occupying the constructed buildings. The rest of the countries had yet to recognize income from such tenants.

87. During the audit, the Board requested loan confirmations and amounts receivable as rent from UNDP with seven governments; however, none were confirmed to the Board.

88. Management informed the Board that the retention period for UNDP documents is only seven years and that the reserve for field accommodation activities had commenced in 1979. Therefore, given the age of the reserve for field accommodation, there was a possibility that most of those documents had been destroyed. Nevertheless, UNDP reaffirmed that the prime source of its records for the reserve for field accommodation balances remains its accounting records within the enterprise resource planning system.

89. The Board is of the view that accurate recognition and accounting for rent emanating from loans to governments is an issue which UNDP needs to address in order to improve the overall management of the reserve for field accommodation. This is important, as the loans have yet to be fully repaid, and, as at 31 December 2012, loans included in the financial statements amounted to $13.46 million. The reported amount excludes interest accrued under the contracts.

90. **UNDP agreed with the Board's recommendation to: (a) develop a framework for capturing and accounting for accrued rent for the tenants in the buildings other than United Nations Development Group Executive Committee agencies; and (b) provide more thorough guidance to country offices on management of loans to governments and rent payable to governments in order to offset loan balances.**

C. Disclosures by management

1. Write-off of cash, receivables and property

91. The Administration informed the Board that, in accordance with UNDP financial rule 126.17, no cash, receivables or property had been written off during the year ended 31 December 2012.

2. Ex gratia payments

92. As required by UNDP financial rule 123.01, the Administration reported ex gratia payments for the period under review amounting to $26,207.

3. Cases of fraud and presumptive fraud

93. During the year under review, in the context of paragraph 6 (c) of the annex to the Financial Regulations and Rules of the United Nations, UNDP reported 27 cases of fraud or presumptive fraud to the Board. After recoveries, the 20 cases involved losses amounting to approximately $5.90 million; the details are provided in annex II to the present report.

D. Acknowledgement

94. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Administrator of the United Nations Development Programme and her staff.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor-General of the United Republic of Tanzania
(Lead Auditor)

(*Signed*) **Liu** Jiayi
Auditor-General of China

30 June 2013

Annex I

Status of implementation of recommendations for the biennium ended 31 December 2011

	Summary of recommendation	*A/67/5/Add.1, chap. II paragraph reference*	*Financial period first raised*	*Implemented*	*Under implementation*
1	Develop an IPSAS benefits realization plan; finalize the clean-up of long-outstanding inter-agency legacy balances; and monitor timelines in the preparation of opening balance and dry-run financial statements	23	2010-2011		X
2	Consider strategies on how the new information generated from IPSAS implementation will support decision-making in the organization	24	2010-2011	X	
3	Seek further cooperation from partners in managing refunds and improve related monitoring processes	33	2006-2007		X
4	Follow-up with the identified country offices to improve the bank reconciliation process, and consider, on a risk basis, a detailed review of bank accounts of country offices where it identifies specific risks	37	2010-2011		X
5	Work in partnership with other United Nations agencies to ensure complete and timely submissions and reconciliations of inter-agency balances	45	2008-2009	X	
6	Resolve the dispute regarding inter-fund differences in accounts with UNOPS	52	2008-2009		X
7	Obtain confirmation of balances from UNOPS prior to closure of its account and perform a reconciliation of inter-fund balance, obtain semi-annual reports and certifications from UNOPS, and establish an adequate validation for the amounts provided by UNOPS before it processes the managed service agreements transactions	53	2008-2009		X
8	Provide fully for all end-of-service liabilities as part of its implementation of IPSAS	61	2006-2007	X	
9	Formulate funding plans for end-of-service liabilities relating to accrued leave, termination benefits and repatriation benefits	62	2008-2009		X
10	Regional bureaux should consider the results of the NIM audit process and work with implementing partners to address the weaknesses identified in the NIM audit process. A focus should be on implementing partners which have recurring negative reports	70	2010-2011		X
11	Consider other procedures of obtaining assurance that funds were spent as intended in the Egypt country office	72	2010-2011	X	

	Summary of recommendation	*A/67/5/Add.1, chap. II paragraph reference*	*Financial period first raised*	*Implemented*	*Under implementation*
12	Regional bureaux should prioritize the financial closure of all operationally closed projects and address the causes of delays in the finalization of project closure	75	2006-2007		X
13	Enhance the quality of information regarding projects through regular review of project information in Atlas	77	2008-2009		X
14	Country offices should monitor the receipt of quarterly combined delivery reports	79	2010-2011		X
15	Country offices should perform field visits and final project reviews to assess project performance and success and to improve on lessons learned	81	2010-2011		X
16	Review all projects with microfinance activities and assess its policies to ensure consistent recording of those activities, and implement adequate project monitoring controls over microlending activities, in line with project agreements	86	2010-2011		X
17	Consider ways of enhancing the HACT framework	92	2010-2011		X
18	Consider enhancing the roles of oversight and monitoring of implementation of the HACT framework at country offices, and consider mechanisms to foster a common understanding and application of the framework by country offices as part of an inter-agency process	94	2010-2011		X
19	Consider further strengthening of oversight and monitoring of field-level activities associated with procurement, trust funds, projects, asset management, HACT and human resources to ensure accountability in the context of its highly decentralized structure and compliance with UNDP policies and procedures	98	2010-2011		X
20	Consider the implementation of individual and consolidated procurement plans at country offices and headquarters based on an analysis of procurement needs	102	2004-2005		X
21	Improve its maintenance and use of the procurement dashboard, and strengthen monitoring support to the regional bureaux for procurement actions at country offices	103	2010-2011	X	
22	Perform a regular review of buyer profiles in Atlas to ensure that only certified procurement staff have buyer profiles, and remove inappropriate profiles in Atlas, and consider mechanisms aimed at improving the certification rate of personnel performing procurement functions	104	2006-2007		X
23	Implement measures to enhance monitoring and oversight on direct contracting and other non-competitive procurement methods, and plan procurement activities in a timely manner to allow for competitive bidding and compliance with applicable procurement rules, for example by notifying all the requisitioners six months in advance of the need to start planning for a procurement exercise	107	2010-2011		X

	Summary of recommendation	*A/67/5/Add.1, chap. II paragraph reference*	*Financial period first raised*	*Implemented*	*Under implementation*
24	Implement adequate segregation of duties in the procurement process to avoid conflict of interest, regularly perform vendor evaluations, and adhere to UNDP solicitation and contract award rules	110	2010-2011		X
25	Consider the application of its oversight role to ensure that country offices comply with the UNDP procurement measures currently being implemented by the Advisory Committee policies and procedures	111	2010-2011	X	
26	Address the matters highlighted in its corporate procurement audit report	115	2010-2011		X
27	Strengthen management controls in the field through reviewing its guidance available to country offices or through training on asset management. Initiatives should focus on asset verification procedures, asset identification and recording on acquisition, asset recognition and recording, and asset transfer procedures	119	2010-2011		X
28	Perform a thorough review of the completeness and accuracy of its land and building records	123	2010-2011	X	
29	Improve all controls over leave administration to ensure accurate leave balances and prioritize addressing weaknesses in leave management	127	2010-2011		X
30	Update the Atlas Change Control Manual to reflect practical working methods applied during change process, implement procedures to ensure that all types of changes are signed off by the business owners, complete and implement the draft testing strategy plan, maintain supporting documents for unit and user acceptance testing, and regularly review the activities of the database administrators and access to the production database and keep evidence of such reviews	131	2010-2011		X
31	Evaluate the criteria for a data fixes and update the Atlas Change Control Manual to clearly define the different types of changes and clearly define controls to be followed for each type of change	135	2010-2011	X	
32	The Board recommended that the United Nations Capital Development Fund perform regular review and reconciliation of the general ledger to detect errors, subject its accounts to a review and challenge during the financial statement preparation process to ensure that financial information presented is accurate and a complete reflection of the activities that have occurred, and review the level at which the operational reserve is maintained to ensure that maximum funds are available for programme activities	145	2010-2011		X

	Summary of recommendation	*A/67/5/Add.1, chap. II paragraph reference*	*Financial period first raised*	*Implemented*	*Under implementation*
33	The Board recommended that the United Nations Capital Development Fund fully provide for after-service health insurance and end-of-service liabilities, establish a policy to fund the liabilities, and implement processes to correctly compute and accrue for the annual leave liability	149	2010-2011		X
	Total	**33**		**8**	**25**
	Percentage	**100**		**24**	**76**

Annex II

Cases of fraud and presumptive fraud

Description	*Remedial action*
In Asia Pacific, a service contract holder retained funds amounting to $1,674 that had been entrusted to the individual as an advance for a workshop.	The service contract was terminated, and $1,674 have been recovered.
In Asia Pacific, contracts issued through fraudulent procedures and conflicts of interest resulted in overpayment for goods and services of an amount estimated at $800,000 to $1,700,000.	Three service contracts were terminated. One report has been submitted to the Legal Support Office for gross mismanagement, and another report is pending. Vendor sanctions have been requested against 10 vendors, and a request against an additional 15 vendors is being prepared. A management letter is to be issued with recommendations for tightening controls and improving procurement procedures.
In Asia Pacific, a service contract holder retained funds amounting to $1,819 that had been entrusted to the individual as an advance for a workshop	The service contract was terminated, and $1,819 have been recovered.
In Africa, an NGO submitted false documentation to justify fraudulent expenditures of $2,620,319.	A request for sanctions against the NGO has been submitted to the Vendor Review Committee.
In Africa, an NGO submitted false documentation to justify fraudulent expenditures of $497,977.	A request for sanctions against the NGO is being prepared.
In Africa, a staff member is suspected of misappropriating petty cash and other funds entrusted to the individual amounting to $15,441.	The appointment of the staff member has expired. A note has been placed in his file indicating that his appointment expired while an investigation was under way and that the investigation could not be completed.
In Europe and the Commonwealth of Independent States, expenditures of $10,439 for workshops was allegedly misreported.	The staff member had already separated from UNDP when indicators of fraud were detected.
In Asia Pacific, a staff member submitted a fraudulent claim amounting to approximately $200 for daily subsistence allowance.	The matter was brought to the attention of regional management in order to ensure closer monitoring of entitlement claims.
In Africa, 21 laptops with an approximate value of $15,000 were stolen from a UNDP warehouse.	The theft was reported to the Office of Audit and Investigations, but it was not investigated, as a delay in reporting the matter and other factors made it unlikely that an investigation would be fruitful.
In Africa, an implementing partner embezzled project funds amounting to $327,987.	The matter was not reported to the Office of Audit and Investigations until more than three years after the loss occurred, at which time the implementing partner was no longer operational and the responsible individual could no longer be located.

Description	*Remedial action*
In Africa, 200 litres of fuel with approximate value of $200 were alleged to have been stolen.	The theft was reported to the Office of Audit and Investigations but it was not investigated, as a delay in reporting the matter and other factors made it unlikely that an investigation would be fruitful.
In Africa, IT equipment of an approximate value of $20,000 was stolen from UNDP premises.	The theft was reported to the Office of Audit and Investigations but it was not investigated, as a delay in reporting the matter and other factors made it unlikely that an investigation would be fruitful.
In the Arab States, a service contract holder misappropriated cash amounting to $7,900 that had been advanced to the individual for payment to vendors.	The service contract was terminated. It was not possible to recover the funds owing to the insolvency of the service contract holder.
In Africa, a staff member provided false information to finance officers that led them to modify the bank account information for two vendors. The estimated loss was $13,899.	The staff member resigned. A note has been placed in the personnel file indicating that the staff member resigned while under investigation, and the investigation could not be completed.
In Asia Pacific, former and current procurement personnel engaged in bid rigging and favouritism in the award of contracts for an estimated contract sum of $500,000 to $1,000,000.	One service contract has been terminated. A report has been submitted to the Legal Support Office for consideration of disciplinary action against a staff member. Another staff member is being investigated for gross mismanagement. Vendor sanctions have been requested against eight companies, and requests against additional companies are being prepared.
In Africa, an implementing partner co-mingled funds with his private company and failed to keep proper accounting records, resulting in a loss of approximately $1,000,000 of project funds.	The Vendor Review Committee issued sanctions debarring the managing director of the implementing partner for five years as well as an NGO and private company for four years. A management letter has been issued to the country office with advice on recovering the funds from the NGO.
A collective loss from various cases of medical insurance fraud of $40,442.	In most cases, the service contracts had expired prior to or during the investigation, or an investigation was not feasible for other reasons. In April 2012, the Associate Administrator sent a message reminding all personnel of the consequences of medical insurance fraud. A total of $2,427 have been recovered.
In Asia Pacific, UNDP suffered an undetermined loss from undisclosed conflicts of interest, bribery and procurement fraud.	Service contracts were terminated in all four cases.
Pending cases	
In Africa, staff collected daily subsistence allowance but failed to pay personal travel expenses, obligating the organization to pay. The estimated loss was approximately $10,000.	The matter is under investigation.

Description	*Remedial action*
In Africa, it is alleged that a staff member fraudulently cashed a cheque for $411 entrusted to him for payment to a vendor.	The matter is under investigation.
In Africa, an unauthorized cheque for $2,183 was issued and supporting documentation was later removed from the file.	The matter is under investigation.
In the Arab States, malaria test kits with a value of $812 were stolen from central medical stores utilized by a project.	The matter is under investigation.
In Africa, a staff member is alleged to have stolen construction material worth approximately $22,500 that was being stored in the United Nations compound.	The matter is under investigation.
In Asia Pacific, a staff member is alleged to have retained $2,698 of funds left over from training.	The matter is under investigation.
In Africa, a staff member is alleged to have stolen fuel with an approximate value of $1,500.	The matter is under investigation.
Various cases were reported in 2012 that are currently being investigated for medical insurance fraud with losses of $32,699.	The matters are under investigation.
Various cases were reported in 2012 that are currently being investigated for conflict of interest, bribery and procurement fraud. At this point it is not possible to determine if the allegations or the amount of any loss will be substantiated.	The matters are under investigation.

Chapter III
Financial report for the year ended 31 December 2012

A. Introduction

1. In accordance with United Nations Development Programme (UNDP) financial regulation 26.01, the Administrator hereby submits the financial statements of UNDP for the year ended 31 December 2012.

2. For the first time, the financial statements of UNDP have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). In 2011 and prior years, the financial statements were prepared in accordance with United Nations system accounting standards (UNSAS).

3. The report of the Board of Auditors, their opinion on the financial statements, and the comments of UNDP on the substantive observations, are submitted in accordance with UNDP financial regulation 4.04.

4. UNDP is a Programme established by the General Assembly in 1965 through its resolution 2029. UNDP is politically neutral and partners with entities and people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone. UNDP works primarily through its offices in more than 177 countries and territories and provides a global perspective and local insight to help empower lives and build resilient nations. The role of UNDP, in line with its mandate, which is defined through the intergovernmental process, includes the provision of (a) support for the coordination and enhancement of the efficiency and effectiveness of the United Nations system at the country level; and (b) knowledge, policy advice, advocacy and technical support in four focus areas on the basis of best practices and comparative advantage: poverty reduction; democratic governance; crisis prevention and recovery; and environment and energy for sustainable development.

5. As the principal United Nations entity on the ground in 177 countries and territories, UNDP provides services, on a cost recovery basis, to 70 United Nations agencies, including peacekeeping missions. In 2012, the value of transactions processed on behalf of United Nations agencies was $2.6 billion.

6. UNDP administers the United Nations Volunteers programme, which supports sustainable human development globally through the promotion of volunteerism. The programme's operations are reflected in the financial statements of UNDP. In 2012, 6,800 United Nations Volunteers from 159 countries supported the Organization partners in their peace and development activities in the field through over 6,900 assignments. In pursuance of South-South cooperation and gender equality, 81 per cent of the volunteers were from developing countries and 39 per cent were female. In addition to the 6,800 United Nations Volunteers in the field, the programme's Online Volunteering Service continued to experience growth in 2012, with 11,000 online volunteers. A key priority of the programme in 2012 was to support the Secretary-General's five-year action agenda through a United Nations youth volunteer programme focusing on young people as engaged actors and agents of change in their communities. In 2012, the programme successfully integrated volunteering into global events, such as the United Nations Conference on Sustainable Development, and the outcome document entitled "The future we want".

7. UNDP administers the Junior Professional Officers programme on behalf of 15 United Nations entities. For those entities in 2012, 291 professionals were administered, including 259 Junior Professional Officers and 32 Special Assistants to Resident Coordinators. For the professionals placed in the programme in 2012, UNDP received $24 million in contributions and incurred $23.3 million in expenses.

8. The UNDP Administrator administers the United Nations Capital Development Fund, which provides seed capital and technical assistance to promote sustainable inclusive growth in the least developed countries. While the UNDP Administrator continues to administer the Fund, beginning in 2012, in compliance with IPSAS, the Fund prepared separate financial statements from UNDP.

B. Adoption of the International Public Sector Accounting Standards in 2012

An investment in best practice

9. The adoption of the International Public Sector Accounting Standards (IPSAS) represents best international accounting practice for the public sector. UNDP adopted IPSAS on 1 January 2012, in accordance with General Assembly resolution 60/283. After a financial year under IPSAS, UNDP is already realizing the benefits of implementing those international best practice standards, which include: more transparent financial reporting; stronger accountability and good governance; complete disclosure and accounting of assets and liabilities; and improved tracking, management and reporting of financial and non-financial assets. The benefits realized are coupled with additional, recurring costs related to the adoption of and continued compliance with IPSAS.

10. The adoption of IPSAS required a holistic review of the business processes of UNDP and management of significant organization-wide change initiatives, involving both internal and external stakeholders. Specifically, UNDP formulated and adopted new accounting policies, implemented widespread system changes and developed reporting tools to capture new as well as improved management information, and trained more than 4,000 staff. To ensure the most efficient means of compliance, UNDP established a Global Shared Service Centre in Malaysia to centralize the processing and recording of complex transactions related to IPSAS standards on behalf of UNDP country offices and to support them in ensuring a successful transition to and compliance with IPSAS standards.

11. As IPSAS standards evolve over time, UNDP will monitor those changes to ensure that it continues to comply with and benefit from having implemented best international practice, which will require additional future investments.

Highlights of key changes to the financial statements of UNDP

12. Reporting standards and the conversion to full accrual accounting, as prescribed by IPSAS, have resulted in significant changes to accounting policies and in the type and measurement of revenue, expenses, assets and liabilities reported in the financial statements.

13. Revenues from voluntary contributions are referred to as non-exchange transactions. Those contributions are recorded as revenue when contribution agreements enter into force, or when cash is received where no contribution

agreements are required, i.e., for regular resources contributions. UNDP also receives miscellaneous revenue from sales and the provision of services, such as investment services, procurement, payment processing, training, administrative, and custodial and other services to governments, United Nations agencies and other parties. Those are referred to as exchange transactions, and revenue is recorded when the goods or services have been delivered by UNDP. Voluntary contributions and exchange revenue owing to UNDP are recorded as receivables, and, when necessary, an allowance for impairment is made for any amounts that are unlikely to be collectible.

14. Expenses are now recorded in the financial statements of UNDP only when goods and/or services have been received and/or rendered and accepted by UNDP and not when commitments have been made, as was the case under UNSAS. For non-governmental organization/national implementation modality (NGO/NIM), expenses are recorded when funds are disbursed by executing entities or implementing partners and reported to UNDP.

15. The value of employee benefits that UNDP staff have earned but not yet received, for example, accumulated annual leave, repatriation grants and after-service health insurance, are now recorded on an accrual basis to capture the full cost of employing staff. Previously, under UNSAS, those benefits were shown as expenses only when paid, and the related liabilities were disclosed only in the notes to the financial statements.

16. Tangible assets, such as inventory and property, plant and equipment, and intangible assets, such as software licences and software development costs, are now reported as assets under IPSAS. Previously, under UNSAS, those assets were recorded as expenses on the date of acquisition.

17. The financial statements of UNDP under IPSAS now comprise five statements and 35 notes. The five statements are: financial position; financial performance; changes in net assets/equity; cash flow; and comparison of budget and actual amounts (regular resources). Those statements and notes aggregate the financial results of UNDP, including the United Nations Volunteers programme, into one document for the year 2012.

18. Under UNSAS, the principal financial statements were presented showing the distinction between regular and other resources (comprising cost-sharing, trust funds and reimbursable support services and miscellaneous activities). Under IPSAS, only the total consolidated position is shown on the face of the financial statements. Similar information on regular and other resources is provided in segment reporting note 6 to the financial statements on segment reporting.

19. Owing to the change of accounting basis in the first year of the adoption of IPSAS, comparative information for the prior year is not provided.

20. The UNDP budget continues to be presented on a modified cash basis. As the accounting basis for the budget differs from the accrual basis applied to the financial statements, reconciliation between the budget and the cash flow statement is provided.

C. Financial performance

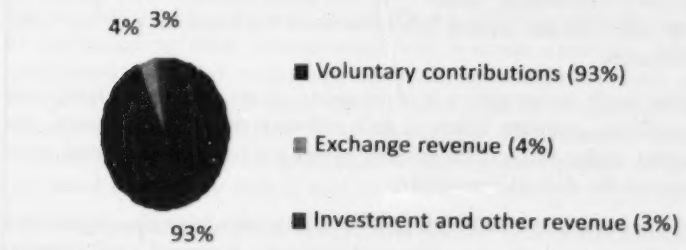
21. The total revenue of UNDP for 2012, i.e., contributions and other revenue, was $5.089 billion, compared with total expenses of $5.262 billion, resulting in higher total expenses over total revenue of $173.4 million in the year 2012, drawing upon the accumulated surpluses of $4.303 billion from prior years, which represents advance funding from UNDP partners.

Revenue analysis

Revenue by nature

22. The total revenue of UNDP in 2012 was $5.089 billion, of which $4.741 billion, or 93 per cent, was from voluntary contributions, $197.7 million, or 4 per cent, was from exchange revenue, and $150.5 million, or 3 per cent, was from investment and other revenue.

Figure III.I.a
Composition of total revenue in 2012 by nature

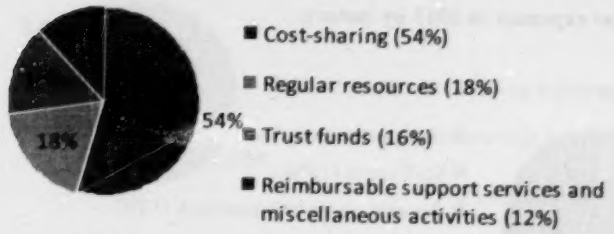


Revenue by segment

23. Analysis of revenue by segment[1] shows that cost-sharing is the largest revenue source, providing 54 per cent of the revenue of UNDP in 2012, followed by regular resources providing 18 per cent, trust funds providing 16 per cent, and reimbursable support services and miscellaneous activities providing 12 per cent.

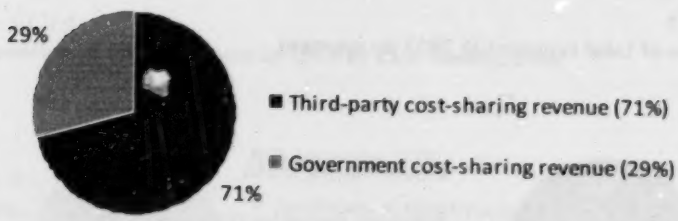
[1] Excludes effect of inter-fund elimination.

Figure III.I.b
Composition of total revenue in 2012 by segment



24. Within cost-sharing revenue totalling $2.894 billion, third-party cost-sharing provided 71 per cent of the revenue, and government cost-sharing provided 29 per cent of the revenue.

Figure III.I.c
Composition of cost-sharing revenue in 2012 by type



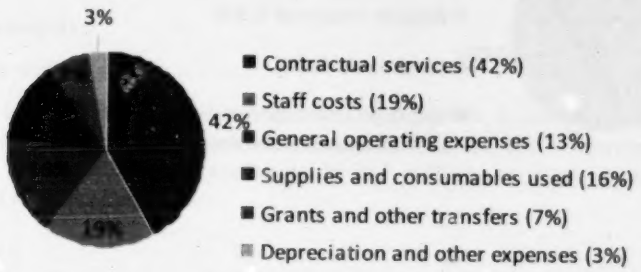
Expense analysis

Expenses by nature

25. The total expenses of UNDP in 2012 were $5.262 billion. Considering that the mandate of UNDP is to provide knowledge, policy advice, advocacy and technical support to governments and other implementing partners, the largest expense category by nature in 2012 was contractual services with individuals and companies of $2.196 billion, or 42 per cent. The remaining expenses by nature are: $979.1 million, or 19 per cent, for staff costs; $861.8 million, or 16 per cent, for

general operating expenses; $707.7 million, or 13 per cent, for supplies and consumables used; $366.8 million, or 7 per cent, for grants and other transfers; and $150.9 million, or 3 per cent, for depreciation and other expenses.

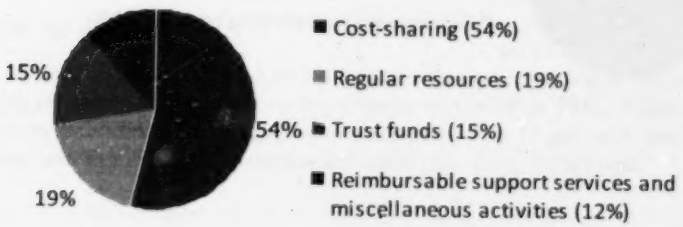
Figure III.II.a
Composition of total expenses in 2012 by nature



Expenses by segment

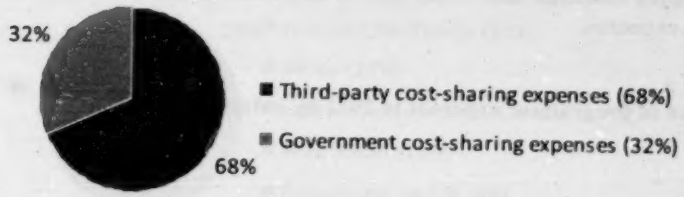
26. Of the total expenses for 2012,[1] 54 per cent was spent on cost-sharing, 19 per cent on regular resources, 15 per cent on trust funds, and 12 per cent was spent on reimbursable support services and miscellaneous activities.

Figure III.II.b
Composition of total expenses in 2012 by segment



27. Within cost-sharing expenses, totalling $2.931 billion, 68 per cent was spent on third-party cost-sharing, and 32 per cent was spent on government cost-sharing.

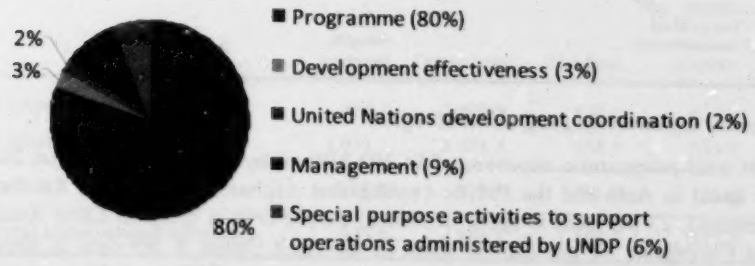
Figure III.II.c
Composition of cost-sharing expenses in 2012 by type



Expenses by cost classification

28. The UNDP Executive Board approved four broad cost classification categories: (a) development activities, which encompass subcategories programme activities and development effectiveness activities; (b) United Nations development coordination activities; (c) management activities; and (d) special purpose activities. Of total UNDP expenses by cost-classification category[1] prescribed by the UNDP Executive Board, 80 per cent was spent on programme activities, 3 per cent was spent on development effectiveness, 2 per cent was spent on United Nations development coordination, 9 per cent was spent on management, and 6 per cent was spent on special purpose activities to support operations administered by UNDP.

Figure III.II.d
Composition of total expenses in 2012 by cost classification

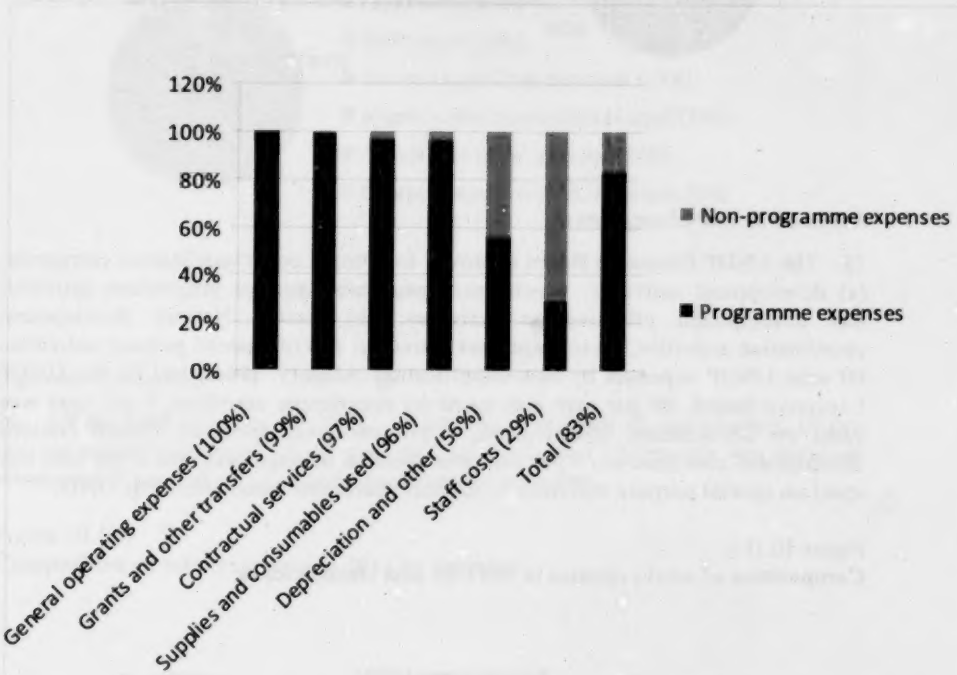


Expenses relating to programme

29. In terms of the expense categories attributed to UNDP programme activities, in total, $4.393 billion of the total expenses of UNDP were programme expenses

reflecting the development nature of the operations of UNDP. By expense category, 97 per cent of the total contractual services with individuals and companies were programme expenses. Similarly, 29 per cent of staff costs,[2] 96 per cent of supplies and consumables used, 100 per cent of general operating expenses, 99 per cent of grants and other transfers, and 56 per cent of depreciation and other expenses were programme expenses.

Figure III.II.e
Composition of programme expenses in 2012 by nature

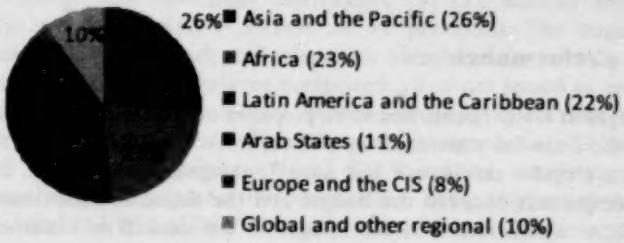


Programme expenses by geographical region

30. Of total programme expenses of $4.393 billion, by geographical region 26 per cent is spent in Asia and the Pacific (noting that Afghanistan is one of the largest programmes), 23 per cent is spent in Africa, 22 per cent is spent in Latin America and the Caribbean, 11 per cent is spent in the Arab States, 8 per cent is spent in Europe and the Commonwealth of Independent States (CIS), and 10 per cent is spent in the global and other regional category.

[2] Non-programme staff costs relate to development effectiveness, United Nations development coordination, special purpose activities to support operations administered by UNDP, and management. In addition, most of the capacity for programme implementation is provided through non-staff contractual modalities.

Figure III.II.f
Composition of programme expenses in 2012 by geographical region



Financial performance by segment

31. In 2012, while segments, i.e., regular resources, cost-sharing, trust funds, and reimbursable support services and miscellaneous activities, showed annual expenses that were higher than annual revenue by $173.4 million, it is noted that UNDP partners provided funding in advance and that the accumulated surpluses of $4.303 billion was sufficient to absorb this current year deficit. Note 6 to the financial statements, on segment reporting, provides details of financial performance by segment, which is summarized in table III.1.

Table III.1
Summary of financial performance by segment in 2012
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Inter-fun.[1] elimination*	*Total*
Total revenue	950.1	2 894.3	827.2	631.2	(213.4)	5 089.4
Total expenses	1 031.3	2 931.4	858.5	655.0	(213.4)	5 262.8
Deficit	**(81.2)**	**(37.1)**	**(31.3)**	**(23.8)**	–	**(173.4)**
Total accumulated surpluses	**123.5**	**2 556.1**	**1 105.5**	**517.5**	–	**4 302.6**

32. Those deficits were funded through accumulated surpluses from prior years. While this practice can be sustained in the short term for some segments, such as cost-sharing and trust funds, it cannot be sustained for the business activities of UNDP that are funded through regular resources. Despite enormous challenges, UNDP met its three-month minimum liquidity requirement for regular resources in 2012, maintaining a liquidity reserve of 3.71 months of average expenses, within the minimum threshold of liquidity required by the Executive Board.

33. Through the development of the proposed strategic plan for UNDP for 2014-2017 and the Agenda for organizational change, which is currently being implemented, UNDP is establishing a path that will address the continuing downturn in revenue through transformational change, structural realignment and enhanced business development and resource mobilization.

D. Budgetary performance

34. The budget of UNDP continues to be prepared on a modified cash basis and is presented in the financial statements as statement V — comparison of budget and actual amounts (regular resources), and note 7, comparison to budget. In order to facilitate a comparison between the budget and the financial statements prepared under IPSAS, a reconciliation of the budget to the cash flow statement is also included in note 7.

35. Approved budgets are those that permit expenses to be incurred and are approved by the UNDP Executive Board. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources, and the portion of the resource plan relating to development activities to be financed from regular resources. During 2012, UNDP revised the annual spending limits, noting the reduced level of voluntary contributions, to ensure improved burden-sharing and greater efficiency. This resulted in lower expenditure compared with the 2012-2013 budget approved by the Executive Board. The comparison of utilization in the year 2012 against budget levels is as follows:

Table III.2
Budget utilization rates for 2012

Budget components	*Annualized approved final budget (millions of United States dollars)*	*Actual utilization rate (percentage)*
Development activities	631.3	94
United Nations development coordination activities	84.7	93
Management activities	264.6	89
Special purpose activities to support operations administered by UNDP	17.4	82
Total	**998.0**	**93**

36. The integrated resource plan of UNDP encompasses the integrated budget. The integrated resource plan estimates will be used in the integrated results and resources framework (covering development impact, development outcomes, UNDP outputs and organizational efficiency and effectiveness) of the strategic plan.

E. Financial position

Assets

37. UNDP assets of $6.647 billion were comprised largely of investments ($4.409 billion), cash and cash equivalents ($1.133 billion) and receivables ($595.0 million) (total: $6.137 billion, or 92 per cent). The large majority of investments and cash and cash equivalents are earmarked for cost-sharing and trust funds. The remaining assets balance comprised: advances issued as operating funds to implementing partners of $373.0 million; property, plant and equipment of $92.9 million, of which 85 per cent represented management assets and 15 per cent represented project assets; inventory of $23.9 million, consisting primarily of medical supplies and equipment for programmes being implemented on behalf of the Global Fund to Fight AIDS, Tuberculosis and Malaria; loans to governments of $13.5 million; intangible assets of $5.8 million, consisting primarily of internally developed software; and other assets of $1.2 million, consisting primarily of dispensary, medical and other receivables.

Cash, cash equivalents and investments

38. As at 31 December 2012, UNDP held cash, cash equivalents and investments of $5.542 billion, of which $512.7 million were funds provided by donors "held in trust" for Multi-Donor Trust Funds and the UNDP-Spain Millennium Development Goals Achievement Fund. During 2012, UNDP maintained its vigilance of credit risks in the light of continued uncertainty in global financial condition, in particular with respect to euro areas. In addition to its own funds, UNDP manages investments in separate portfolios on behalf of a number of United Nations agencies. As at 31 December 2012, UNDP managed a total of $7.7 billion in investments for its own programme and for other United Nations entities (the United Nations Entity for Gender Equality and the Empowerment of Women, the United Nations Population Fund, the United Nations Capital Development Fund and the United Nations Office for Project Services) under service agreements. The investment revenue of UNDP was $65.3 million in 2012.

39. UNDP has an Investment Committee comprising senior management, which meets quarterly to review the investment portfolio performance of UNDP and to ensure that investment decisions are in compliance with established investment guidelines.

Receivables

40. As at 31 December 2012, UNDP had receivables of $595.0 million, which included receivables due from United Nations agencies of $457.7 million; contributions receivable pending from donors of $94.4 million; and the remaining amount of $42.9 million was primarily investment receivables of $30.3 million. Inter-fund differences of $18.4 million and $2.9 million are under review by an independent panel through a mechanism for the resolution of inter-fund differences.

Advances issued

41. As at 31 December 2012, UNDP had outstanding advances of $373 million. Of that amount, $192 million was advances for nationally executed projects, $41.1 million had been advanced to United Nations agencies for project

implementation, and the remaining amount of $139.9 million consisted primarily of advances to the United Nations Children's Fund for medical supplies valued at $125 million.

42. In fulfilling its mandate, UNDP transfers cash to executing entities or implementing partners as a cash advance. Advances issued are recorded as assets and converted to expenses once the certified expense reports are received and accepted by UNDP.

43. UNDP monitors programme expenses to ensure they were incurred in compliance with project documents and workplans. Monitoring activities include field visits, comparisons of expense reports to workplans and narrative reports, monitoring of progress towards outputs and outcomes, and prescribed audits. The Office of Audit and Investigations reviews the audit reports covering the audit of projects that are implemented by national institutions or NGOs. UNDP also monitors the outstanding balance of funds advanced to governments and NGOs to ensure that financial reports are received on a timely basis and that appropriate action is taken on audit report recommendations

Property, plant and equipment and intangible assets

44. As at 31 December 2012, UNDP held property, equipment and intangible assets of $98.7 million, of which property and equipment were $92.9 million. Of that amount, $36.6 million represented land and buildings, and the remaining property and equipment consisted mainly of information technology assets and vehicles. All management assets meeting capitalization thresholds were capitalized by UNDP, as were project assets acquired on or after 1 January 2012 that UNDP controls. Project assets that were not controlled by UNDP are expensed as incurred. UNDP applied the transitional provision allowed under IPSAS and will capitalize project assets under the control of UNDP that were acquired before 2012 within three years. Of the total property, plant and equipment held as at 31 December 2012, 15 per cent represented project assets, and 85 per cent represented management assets.

45. Intangible assets held as at 31 December 2012 amounted to $5.8 million, of which $4.3 million, or 74 per cent, related to internally developed software.

Liabilities

46. The liabilities of UNDP in the amount of $1.984 billion largely comprised employee benefits ($1.227 billion), such as after-service health insurance, repatriation and death benefits (all of which are valued by independent actuaries), and annual leave. Those liabilities are reflected for the first time in the UNDP statement of financial position in 2012. IPSAS requires recording of all accumulated employee benefits liabilities in the financial statements, although the disbursements for some of those benefits would occur over several decades. The principal employee benefit liability of after-service health insurance is valued at $979.1 million (included in the total employee benefits amount of $1.227 billion), of which $494.9 million (51 per cent) has been funded. A funding strategy of 15 years has been formulated to fund the gap between the liability and the amount funded. The funding strategy will be adjusted, if needed, following the next actuarial valuation.

47. Other than employee benefits, the total liabilities of UNDP also include: payables-funds held in trust ($574 million), which relate primarily to multi-donor trust funds for which UNDP serves as the administrative agent; accounts payable and accrued liabilities ($105.2 million); funds held on behalf of donors ($36.3 million); other liabilities, consisting primarily of deferred revenue and unapplied deposits ($23.7 million); and advances payable ($18.2 million).

Net assets/equity

48. Net assets/equity of $4.663 billion reflect amounts received as advance funding from UNDP partners from prior years for activities funded under the integrated resources plan. Net assets/equity of $4.663 billion includes accumulated surpluses of $4.303 billion and reserves of $360.6 million, of which the operational reserve accounted for $357 million (99 per cent of total reserves). The impact on accumulated surpluses and reserves in the first year of IPSAS implementation is primarily the result of (a) IPSAS adjustments of $149.8 million, which include the recording of historical after-service health insurance liabilities; (b) total expenses are higher than total revenue by $173.4 million; and (c) an increase in the value of the liability for after-service health insurance ("actuarial loss") of $97.1 million owing to external economic conditions and changes in actuarial assumptions.

Financial position by segment

49. The financial position of UNDP by segment, and UNDP in aggregate as included in note 6 on segment reporting to the financial statements, is summarized as follows:

Table III.3
Summary financial position by segment as at 31 December 2012
(Millions of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Total assets	1 769.2	2 592.0	1 141.8	1 144.5	6 647.5
Percentage of total UNDP assets	**27**	**39**	**17**	**17**	**100**
Total liabilities	1 432.1	35.9	33.2	483.0	1 984.2
Percentage of total UNDP liabilities	**72**	**2**	**2**	**24**	**100**
Net assets/equity	337.1	2 556.1	1 108.6	661.4	4 663.2
Percentage of total UNDP net assets/equity	**7**	**55**	**24**	**14**	**100**

F. Accountability, governance and risk management

50. Accountability and governance of UNDP has four facets: (1) UNDP governing bodies and governance committees, i.e., the General Assembly, the Economic and Social Council, the UNDP Executive Board and the Fifth Committee; (2) UNDP accountability to its programmatic partners and beneficiaries, i.e., donors, programme governments, United Nations partners, implementing partners and

project beneficiaries; (3) institutional oversight mechanisms of UNDP: (a) independent external oversight, i.e., the Advisory Committee on Administrative and Budgetary Questions, the United Nations Board of Auditors, the Joint Inspection Unit, and the Audit Advisory Committee; (b) independent internal oversight, i.e., the Office of Audit and Investigations, the Ethics Office and the Evaluation Office; and (4) UNDP internal accountability, i.e., the Administrator and Associate Administrator, Executive Office, Executive Group, Operations Group, regional and headquarters bureaux, regional centres and country offices.

51. Assurance that all the resources, including financial resources, entrusted to UNDP have been managed efficiently and effectively to achieve the expected development results is embedded in the way in which UNDP exercises stewardship over those resources.

52. UNDP has implemented a sound system of internal controls to ensure that effective risk management is integrated into normal business processes and is aligned to the strategic objectives of the organization. Regarding risk management of cash and investments, the risk management policies of UNDP with relation to treasury operations aim to minimize potential adverse effects on the resources available to UNDP to fund its development activities. The principal objectives of the UNDP risk management approach are: (a) safety, i.e., preservation of capital, provided through investing in high quality fixed-revenue securities emphasizing the creditworthiness of the issuers; (b) liquidity, i.e., flexibility to meet cash requirements through investments in highly marketable fixed-revenue securities and through structuring maturities to align with liquidity requirements; and (c) revenue, i.e., maximization of investment revenue within safety and liquidity parameters. UNDP utilizes funds to implement development activities in accordance with its Financial Regulations and Rules and its policies and procedures, which encompass strong risk mitigation and monitoring and assurance mechanisms.

G. Looking forward to 2013 and beyond

53. The overall financial position of UNDP at the end of 2012 was positive. Implementation of the UNDP Agenda for organizational change and the proposed strategic plan for 2014-2017 will continue the transformational programme aimed at enabling UNDP to deliver effectively, responsively and with greater cost economy. UNDP will also continue to implement: (a) higher quality programmes through results-based management; (b) greater organizational openness, agility and adaptability to harness knowledge, solutions and expertise; and (c) improved financial and human resources management, which has already begun with improved financial reporting under IPSAS, in pursuit of sustainable results.

Chapter IV
Financial statements for the year ended 31 December 2012

Statement I

Financial position as at 31 December 2012

(Thousands of United States dollars)

		31 December 2012	*1 January 2012 (restated)*
Assets			
Current assets			
Cash and cash equivalents	note 8	866 110	797 096
Cash and cash equivalents — funds held in trust	note 8	266 613	384 778
Investments	note 9	1 771 719	2 387 329
Investments — funds held in trust	note 9	215 386	236 909
Receivables — non-exchange transactions	note 10	94 423	203 420
Receivables — exchange transactions, net	note 11	500 569	261 361
Advances issued, net	note 12	373 018	190 130
Inventories	note 13	23 941	20 223
Other current assets, net	note 14	1 230	2 327
Total current assets		**4 113 009**	**4 483 573**
Non-current assets			
Investments	note 9	2 391 596	2 317 308
Investments — funds held in trust	note 9	30 676	33 362
Loans to Governments	note 15	13 458	14 020
Property, plant and equipment	note 16	92 910	78 497
Intangible assets	note 17	5 834	–
Total non-current assets		**2 534 474**	**2 443 187**
Total assets		**6 647 483**	**6 926 760**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	note 18	105 231	151 199
Advances payable	note 19	18 215	13 539
Funds held on behalf of donors	note 20	36 309	38 791
Payables — funds held in trust	note 21	543 421	658 132
Employee benefits	note 22	179 098	163 515
Other current liabilities	note 23	19 271	52 485
Total current liabilities		**901 545**	**1 077 661**
Non-current liabilities			
Payables — funds held in trust	note 21	30 676	33 362
Employee benefits	note 22	1 047 548	958 213

		31 December 2012	*1 January 2012 (restated)*
Other non-current liabilities	note 23	4 470	–
Total non-current liabilities		**1 082 694**	**991 575**
Total liabilities		**1 984 239**	**2 069 236**
Net assets/equity			
Reserves	note 24	360 638	371 638
Accumulated surpluses	note 25	4 302 606	4 485 886
Total net assets/equity		**4 663 244**	**4 857 524**
Total liabilities and net assets/equity		**6 647 483**	**6 926 760**

Note: The accompanying notes form an integral part of these financial statements.

Statement II

Financial performance for the year ended 31 December 2012

(Thousands of United States dollars)

		31 December 2012
Revenue		
Voluntary contributions, net	note 26	4 741 179
Revenue — exchange transactions	note 27	197 700
Investment revenue	note 28	65 338
Other revenue	note 29	85 136
Total revenue		**5 089 353**
Expenses		
Contractual services	note 30	2 196 485
Staff costs	note 30	979 086
Supplies and consumables used	note 30	707 718
General operating expenses	note 30	861 822
Grants and other transfers	note 30	366 783
Other expenses	note 30	125 813
Depreciation and amortization	note 30	18 177
Finance costs	note 30	6 901
Total expenses		**5 262 785**
Deficit for the year		**(173 432)**

Note: The accompanying notes form an integral part of these financial statements.

Statement III

Changes in net assets/equity for the year ended 31 December 2012

(Thousands of United States dollars)

	Reserves	*Accumulated surpluses*	*Total net assets/equity*
Balance at 31 December 2011 (UNSAS restated)	371 638	4 635 702	5 007 340
IPSAS adjustment for investments	–	5 961	5 961
IPSAS adjustment for property, plant and equipment	–	78 497	78 497
IPSAS adjustment for employee benefits	–	(536 268)	(536 268)
IPSAS adjustment for revenue	–	130 528	130 528
Other IPSAS adjustments	–	183 254	183 254
Other adjustments — special capital resources	–	(11 788)	(11 788)
Balance at 1 January 2012 (IPSAS) before prior-period adjustment	**371 638**	**4 485 886**	**4 857 524**
Prior-period adjustments (note 5)	–	(2 467)	(2 467)
Balance at 1 January 2012 adjusted (IPSAS)	**371 638**	**4 483 419**	**4 855 057**
Changes in net assets/equity			
Operational reserve transfer to accumulated surpluses	(11 000)	11 000	–
Funds with specific purposes (note 25)	–	77 434	77 434
Net gain on available-for-sale investments	–	1 239	1 239
Actuarial losses	–	(97 054)	(97 054)
Deficit for the year	–	(173 432)	(173 432)
Total revenue and expense recognized directly in net assets/equity	**(11 000)**	**(180 813)**	**(191 813)**
Balance at 31 December 2012	**360 638**	**4 302 606**	**4 663 244**

Note: The accompanying notes form an integral part of these financial statements.

Statement IV

Cash flow for the year ended 31 December 2012

(Thousands of United States dollars)

	31 December 2012
Cash flows from operating activities	
Deficit for the year	(173 432)
Adjustments to reconcile deficit for the year to net cash flows:	
Depreciation and amortization	18 177
Impairment, net	(3 019)
In-kind contributions	(251)
Amortization of premium/discount on investments	42 757
(Gains) on foreign exchange translation — cash and cash equivalents	(4 159)
(Gains) on bonds	(8)
Losses on disposal of property, plant and equipment	1 570
Changes in assets	
(Increase)/decrease in assets — funds held in trust	4 637
Decrease in receivables — non-exchange transactions	108 997
(Increase) in receivables — exchange transactions, net	(359 093)
(Increase) in advances issued, net	(182 888)
(Increase) in inventories	(3 718)
Decrease in other current assets, net	1 097
Changes in liabilities, net assets/equity	
(Decrease) in accounts payable and accrued liabilities	(45 968)
Increase in advances payable	4 676
(Decrease) in funds held on behalf of donors	(2 482)
(Decrease) in payables — funds held in trust	(117 397)
Increase in employee benefits	71 750
(Decrease) in other current liabilities	(28 758)
Increase in funds with specific purposes	13 549
Net cash flows (used in) operating activities	**(653 963)**
Cash flows from investing activities	
Purchases of investments	(2 417 763)
Purchases of investments — funds held in trust	(382 720)
Maturities of investments	2 917 576
Maturities of investments — funds held in trust	402 292
Interest received	122 904
Decrease in loans to Governments	562
Purchases of property, plant and equipment	(38 671)
Disposals of property, plant and equipment	3 171

		31 December 2012
Purchases of intangible assets		(6 698)
Net cash flows from investing activities		**600 653**
Cash flows from financing activities		
Finance lease repayment		–
Net cash flows from financing activities		**–**
Net decrease in cash and cash equivalents		**(53 310)**
Effect of exchange rate changes on cash and cash equivalents		**4 159**
Cash and cash equivalents including funds held in trust — beginning of year		**1 181 874**
Cash and cash equivalents including funds held in trust — end of year	**note 8**	**1 132 723**

Note: The accompanying notes form an integral part of these financial statements.

Statement V

Comparison of budget and actual amounts (regular resources) for the year ended 31 December 2012

(Thousands of United States dollars)

	Approved budget		*Actual expenditure on comparable basis (note 7)*	*Difference: final approved budget and actual expenditure (note 7)*
	Original	*Final*		
Development activities				
Programme	534 571	534 571	498 547	36 024
Development effectiveness	96 760	96 760	96 674	86
Subtotal	**631 331**	**631 331**	**595 221**	**36 110**
United Nations development coordination activities	**84 670**	**84 670**	**79 052**	**5 618**
Management activities				
Recurring	259 651	259 651	232 196	27 455
Non-recurring	4 900	4 900	4 322	578
Subtotal	**264 551**	**264 551**	**236 518**	**28 033**
Special purpose activities				
Non-UNDP operations administered by UNDP	17 444	17 444	14 255	3 189
Subtotal	**17 444**	**17 444**	**14 255**	**3 189**
Grand total	**997 996**	**997 996**	**925 046**	**72 950**

Note: The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

Note 1
Reporting entity

The United Nations Development Programme (UNDP) is a Programme established by the General Assembly in 1965 through its resolution 2029 (XX). UNDP partners with entities/people at all levels of society to help build nations that can withstand crisis and drive and sustain growth that improves the quality of life for everyone.

UNDP has its headquarters in New York, United States of America, but works primarily through its offices in more than 177 countries and territories. UNDP provides a global perspective and local insight to help empower lives and build resilient nations.

The focus of UNDP is helping countries build and share solutions to the challenges of:

- Poverty reduction and achievement of the Millennium Development Goals
- Democratic governance
- Crisis prevention and recovery
- Environment and energy for sustainable development.

UNDP helps developing countries attract and use aid effectively, and in all activities encourages the protection of human rights, capacity development and the empowerment of women.

UNDP is politically neutral and its cooperation is impartial. It seeks to conduct its work in a transparent manner and is accountable to all its stakeholders. UNDP has an Executive Board, established by the General Assembly in its resolution 48/162, which is responsible for providing intergovernmental support to and supervision of UNDP. The amended Financial Regulations and Rules of UNDP (Executive Board decision 2011/33), governs the financial management of UNDP.

The financial statements include only the operations of UNDP, which has no subsidiaries or interests in associates or jointly controlled entities.

Note 2
Statement of compliance with the International Public Sector Accounting Standards

The financial statements of UNDP have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). These annual financial statements of UNDP are the first to be prepared in accordance with IPSAS and certain transitional provisions as identified in note 3.

Prior to 1 January 2012, UNDP prepared its financial statements in accordance with the United Nations system accounting standards, which prescribed the use of a modified accrual basis of accounting. For this reason, the 2011 audited financial statements are not comparable with the 2012 financial statements of UNDP.

On 1 January 2012, UNDP adopted IPSAS reporting standards, and the conversion to full accrual accounting as prescribed by IPSAS has resulted in significant changes to accounting policies and in the type and measurement of assets, liabilities, revenues and expenses recognized. Accordingly, adjustments and reclassifications were made to the UNDP statement of financial position as at 31 December 2011 under the United Nations system accounting standards to arrive at the UNDP restated 1 January 2012 IPSAS opening statement of financial position. The net effect of the changes resulting from the adoption of IPSAS adjustments in the statement of financial position amounted to a decrease in total net assets/equity of $149.82 million on 1 January 2012, details of which are in note 5. In addition, the adoption of IPSAS will require the preparation of annual financial statements compared with the previous biennial United Nations system accounting standards financial statements.

Basis of preparation and authorization for issue

Basis of measurement

These financial statements are prepared on an accrual basis of accounting in accordance with IPSAS and the Financial Regulations and Rules of UNDP.

UNDP applies the historical cost principle except where stated in note 4. Accounting policies have been applied consistently throughout the year. The financial year is from January to December.

Foreign currency

The functional and presentation currency of UNDP is the United States dollar. These financial statements are expressed in thousands of United States dollars unless otherwise stated.

Foreign currency transactions are translated into United States dollars at the United Nations operational rates of exchange at the date of the transaction. The operational rates of exchange approximate market/spot rates.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at the reporting date and are recognized in net assets/equity.

Non-monetary items in foreign currencies measured at historical cost are translated at the exchange rate in effect at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognized in the statement of financial performance.

Critical accounting estimates

Preparing financial statements in accordance with IPSAS requires UNDP to make estimates, judgements and assumptions in the selection and application of accounting policies and in the reported amounts of assets, liabilities, revenues and expenses. For this reason, actual results may differ from those estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised

and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization method for property, plant and equipment/intangible assets; impairment on assets; classification of financial instruments; and contingent assets and liabilities.

Transitional provisions

IPSAS standards, with effect from 1 January 2012, are applied in accordance with IPSAS transitional provisions as follows:

- For Standard 1, "Presentation of financial statements", as permitted for first year adoption, comparative information has not been provided except for the statement of financial position;
- For Standard 17, "Property, plant and equipment", UNDP has capitalized all management and project assets acquired as at 1 January 2012 and thereafter. Project assets acquired pre-2012 controlled by UNDP have not been capitalized, and pre-2012 management assets have been capitalized. Land and buildings controlled by UNDP and meeting the minimal thresholds for capitalization were recognized at fair value as at 1 January 2012. All other items of property, plant and equipment were initially measured at cost less accumulated depreciation as at 1 January 2012;
- For Standard 25, "Employee benefits", UNDP has taken advantage of the allowance for first year adoption to not present amounts for the previous four reporting periods with regard to the present value of defined benefit obligations and experience adjustments arising on plan liabilities;
- Standard 31, "Intangible assets", is applied prospectively. Intangible assets acquired or internally developed before 1 January 2012 have not been capitalized.

Future accounting pronouncements

Significant future accounting pronouncements from the International Public Sector Accounting Standards Board which are expected to have an impact on UNDP include:

- Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities — the objective of the project is to develop a public sector conceptual framework which is applicable to the preparation and presentation of general purpose financial reports of public sector entities
- Reporting Service Performance Information — to use a principles-based approach to develop a consistent framework for reporting service performance information of public sector programmes and services that focuses on meeting the needs of users
- Financial Statement Discussion and Analysis — the objective of the project is to develop financial reporting guidance on financial statement discussion and analysis

- Social Benefits — the objective of the project is to identify the circumstances and manner in which expenses and liabilities of certain social benefits should be reflected in the financial statements

- Financial instruments — Standard 28 "Presentation", Standard 29 "Recognition and measurement", and Standard 30 "Disclosures", are applicable for periods beginning 1 January 2013. UNDP will fully adopt those standards on 1 January 2013. UNDP has progressively implemented most of the requirements of those standards in these financial statements, and as a result, the impact of fully adopting the standards in 2013 will be limited to few additional disclosures.

The progress and impact of future accounting pronouncements on the financial statements of UNDP continues to be assessed and monitored.

Authorization for issue

These financial statements are approved and certified by the Administrator of UNDP, the Assistant Administrator and Director of the Bureau of Management of UNDP, and the Chief Finance Officer/Comptroller of the Bureau of Management of UNDP. In accordance with the UNDP Financial Regulations and Rules, these financial statements are authorized for issue on 30 April 2013.

Note 4
Significant accounting policies

Financial assets classification

UNDP classifies financial assets into the following categories: held to maturity; available for sale; loans and receivables; and fair value through surplus or deficit in the statement of financial performance. The classification depends on the purpose for which the financial assets are acquired, and is determined at initial recognition and re-evaluated at each reporting date. All financial assets are initially measured at fair value. UNDP initially recognizes loans and receivables on the date that they originated. All other financial assets are recognized initially on the trade date, which is the date UNDP becomes party to the contractual provisions of the instrument.

Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements, and assets denominated in foreign currency are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date with gains and losses recognized in surplus or deficit in the statement of financial performance.

IPSAS classification	*Type of UNDP financial asset*
Held to maturity	Investments excluding after-service health insurance investments
Available for sale	After-service health insurance investments
Loans and receivables	Cash and cash equivalents, receivables non-exchange and exchange, advances issued, and loans to Governments
Fair value through surplus or deficit	Derivatives

Held to maturity financial assets

Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturities that UNDP has the positive intention and ability to hold to maturity. They are initially recorded at fair value plus transaction costs and subsequently recognized at amortized cost calculated using the effective interest method. UNDP classified a substantial portion of its investment portfolio as held to maturity assets.

Available for sale financial assets

Available for sale financial assets are those that have been either designated in this category or are not classified in any of the other categories. They are initially recorded at fair value plus transaction costs and subsequently reported at fair value with any resultant fair value gains or losses recognized directly in net assets/equity. Interest on available for sale financial assets is calculated using the effective interest method. When an available for sale financial asset is de-recognized, the gain or deficit accumulated in net assets/equity is reclassified to surplus or deficit in the statement of financial performance.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value plus transaction costs and subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

Cash and cash equivalents include cash, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value, net of impairment for restricted use currencies. Financial instruments classified as cash equivalents include investments with a maturity of three months or less from the date of acquisition.

Receivables non-exchange comprises contributions receivable and Government letters of credit. Contributions receivable represent uncollected revenue committed to UNDP by donors based on enforceable commitments which are recognized as revenue. These non-exchange receivables are stated at nominal value less impairment for estimated irrecoverable amounts. Government letters of credit comprise United States Government contributions from cost-sharing, trust funds and reimbursable support services and miscellaneous activities that are committed to UNDP as guarantees of payment.

Exchange receivables represent amounts owed to UNDP for services provided by it to other entities. In exchange, UNDP directly receives approximately equal value in the form of cash.

Derivatives are used by UNDP only to manage foreign exchange risk and are contracted with creditworthy counterparties in accordance with the investment guidelines of UNDP. These derivatives are classified as fair value through surplus or deficit in the statement of financial performance if acquired principally for the purpose of selling in the short term or if so designated by UNDP. Financial assets in this category are measured at fair value on each reporting date, and changes therein are recognized in surplus or deficit in the statement of financial performance. Assets

in this category are classified as current assets if they are expected to be realized within 12 months of the reporting date. At year end, UNDP had open foreign exchange derivative instruments positions in this asset category stated at fair value. UNDP does not apply hedge accounting to these derivative positions. UNDP does not have any embedded derivatives requiring separate accounting at fair value through surplus or deficit in the statement of financial performance.

Advances issued represents cash transferred to executing entities/implementing partners (refer to note 35.2 for the definition of executing entities/implementing partners) as an advance. Advances issued are initially recognized as assets, and then converted to expense when goods are delivered or services are rendered by the executing entities/implementing partners, and confirmed by receipt by UNDP of certified expense reports as applicable, i.e., financial reports, Funding Authorization and Certificate of Expenditures forms or project delivery reports. Once those certified expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the entities' audited statements or, when such statements are not available at the reporting year end, either from the entities' statements as submitted for audit or from the entities' unaudited statements.

Prepayments are issued where agreements with UNDP and the executing entity/implementing partner/supplier require up-front payment. Prepayments are recorded as a current asset until goods/services associated with the prepayments are delivered, at which point the expense is recognized and the prepayment is reduced by a corresponding amount.

UNDP provides advances to staff for up to 12 months for specified purposes per the Staff Regulations of the United Nations and Staff Rules. These advances have an initial maturity of less than 12 months, and the carrying amount approximates fair value.

Loans to governments are loans given to national governments to construct office or housing premises for use by UNDP and United Nations entities. Loans are carried at the original cost to construct office or housing premises, less any recovery to date. Rent proceeds are applied as repayment of the loan. Fair value of this class of financial assets is equal to their carrying amount.

All categories of financial assets are assessed at each reporting date to determine whether there is objective evidence that an investment or group of investments is impaired. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in value of the asset. Impairment losses are recognized in surplus or deficit in the statement of financial performance (directly or through the use of an allowance account) in the year they arise.

Inventories

Inventories held for distribution at no charge or for a nominal charge are stated at the lower of cost or current replacement cost. Inventories held for sale are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost is determined using the first-in, first-out inventory valuation method. The cost of inventories includes costs incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. For inventories acquired through a non-exchange transaction (e.g., donated goods), cost shall be measured at its fair value at the date of acquisition.

Property, plant and equipment

All property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses. This includes costs that are directly attributable to the acquisition of the asset and the initial estimate of dismantling and site restoration costs. Where an asset is acquired for nil or nominal consideration, the fair value at the date of acquisition is deemed to be its cost. The threshold for recognition of property, plant and equipment as an asset is $500 or more per unit, and for leasehold improvements it is $50,000.

UNDP elected to apply the cost model to measurement after recognition instead of the revaluation model. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to UNDP and the cost of the item can be measured reliably. Repairs and maintenance are charged to surplus or deficit in the statement of financial performance in the year in which they are incurred.

Project assets that are not controlled by UNDP are expensed as incurred. UNDP is deemed to control an asset if it can use or otherwise benefit from the asset in pursuit of its objectives and if it can exclude or regulate the access of third parties to that asset. UNDP has control over assets when it is implementing the project directly.

Property, plant and equipment includes right-to-use arrangements for property that meets the criteria for recognition (refer to the section on "leases" below).

Depreciation of property, plant and equipment is calculated using the straight-line basis over the estimated useful lives, except for land, which is not subject to depreciation. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, i.e., major components of property, plant and equipment. Assets under construction are not depreciated, as they are not yet available for use.

The estimated useful lives are as follows:

Class	*Estimated useful life (in years)*
Buildings	40
Vehicles	5-12
Communications and IT equipment	4-20
Furniture and fixtures	8-15
Heavy machinery and other equipment	10-20
Leasehold improvements	Shorter of lease term or life of applicable asset

Given the expected pattern of usage of property, plant and equipment, there are no residual values following full depreciation. A gain or loss resulting from the disposal of property, plant and equipment arises where proceeds from disposal differ

from its carrying amount. Those gains or losses are recognized in surplus or deficit in the statement of financial performance.

Where UNDP sublets premises acquired under a lease, it elects to record subsequent measurement at cost and not a revalued amount.

Intangible assets

Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss.

Acquired computer software licences are capitalized based on costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with the development of software for use by UNDP are capitalized as an intangible asset. Direct costs include the software development employee costs and the portion attributable to relevant overhead. Other development expenses that do not meet the capitalization criteria are recognized as an expense as incurred. Development costs previously recognized as an expense, e.g., research costs, are not recognized as an asset in a subsequent year. The threshold for recognition of internally developed software is $50,000 and $5,000 for externally developed software.

Amortization is recognized in surplus or deficit in the statement of financial performance provided on a straight-line basis on all intangible assets of finite life, at rates that will write off the cost or value of the assets to their estimated residual values.

The estimated useful lives are as follows:

Class	*Estimated useful life (years)*
Software acquired	3-6
Internally developed software	3-6
Trademarks	2-6
Copyrights	3-10
Patents	2-6
Licences and other	2-6

If there is a binding arrangement that specifies that the contractual period of an asset is shorter than its estimated useful life, then the asset is amortized over the contractual period.

Impairment of non-cash generating assets

Property, plant and equipment, intangible and other non-cash generating assets are reviewed for impairment at each reporting date. For property, plant and equipment, UNDP reviews for impairment during the biannual physical verification process. An impairment loss is recognized in surplus or deficit in the statement of financial performance when the carrying amount of an asset exceeds its recoverable

amount. The recoverable amount of an asset is the higher of an asset's fair value, less costs to sell, and its value in use.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the impairment of value has decreased or no longer exists. An impairment deficit is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment deficit had been recognized.

Financial liabilities classification

IPSAS classification	*Types of financial liabilities*
Other financial liabilities	Accounts payable and accrued liabilities, funds held on behalf of donors, advances payable, other liabilities and payables — funds held in trust

Other financial liabilities are initially recognized at fair value, less transaction costs, and subsequently measured at amortized cost using the effective interest method. Financial liabilities entered into with a duration of less than 12 months are recognized at their nominal value.

Payables and accruals arising from the purchase of goods and services are recognized initially at fair value and subsequently measured at amortized cost when goods/services are delivered/rendered and accepted by UNDP. Liabilities are stated at invoice amounts, less payment discounts at the reporting date. The liability is estimated where invoices are not available at the reporting date.

Derivatives which are financial liabilities are categorized at fair value through surplus or deficit in the statement of financial performance. Financial liabilities in that category are measured at fair value at each reporting date, and changes therein are recognized in surplus or deficit in the statement of financial performance. Liabilities in that category are classified as current liabilities if they are expected to be settled within 12 months of the reporting date. At year end, the open foreign exchange derivative positions of UNDP are classified under that category and are stated at fair value. UNDP elected not to apply hedge accounting to those positions, as permitted by IPSAS.

Advances payable arise when amounts are owed to executing entities/ implementing partners. The liability is measured at the amount owed based on incurred expenses reflected in the approved financial reports, Funding Authorization and Certificate of Expenditures forms, or project delivery report for the year.

UNDP provides fund administration services to Multi-Donor Trust Funds and joint programmes through the Multi-Partner Trust Funds Office when UNDP is appointed as the Administrative Agent. In this role, UNDP is responsible for the receipt of contributions from donors, the disbursement of such funds to participating United Nations entities and the provision of consolidated reporting to donors. Payables — funds held in trust represent the receipt of funds by UNDP to be disbursed to participating United Nations entities.

Other liabilities include unapplied deposits, deferred revenue and other payables. Unapplied deposits represent contributions received from donors which

have not been applied. Deferred revenue represents funds received from donors which will be recognized as revenue in future accounting years.

Employee benefits

Short-term employee benefits

Short-term employee benefits are those that are expected to be settled within 12 months after the end of the year in which employees render the related service. Those benefits include assignment benefits, regular monthly benefits (e.g. wages and salaries), compensated absences (e.g. paid leave, such as annual leave), other short-term and non-monetary benefits, and the current portion of long-term benefits provided to current employees. An expense is recognized when a staff member provides services in exchange for employee benefits. A liability is reported for any entitlement that has not been settled at the reporting date and represents the amount paid or expected to be paid to settle the liability. Owing to the short-term nature of those entitlements, the liabilities are not discounted for the time value of money and are presented as current liabilities.

Post-employment benefits

Post-employment benefits are those payable after completion of employment, but exclude termination payments.

Post-employment benefits include pension plans, post-employment medical care, repatriation grants and other lump sums payable after the completion of employment. Post-employment benefit plans are classified as either defined contribution or defined benefit plans.

For defined contribution post-employment plans, the obligation for each year is determined by the amounts to be contributed for that year, and no actuarial assumptions are required to measure the obligation or the expense. Post-employment benefits under defined benefit plans are measured at the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, reduced by the fair value of plan assets, if any, at the reporting date. UNDP did not hold any assets corresponding to the definition of a plan asset.

UNDP is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Pension Fund is a funded, multi-employer defined benefit plan.

Actuarial valuations are prepared every two years for the Pension Fund using the open group aggregate method. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The United Nations Board of Auditors carries out an annual audit of the Pension Fund and reports to the General Assembly on the audit every two years. The Pension Fund publishes quarterly reports on its investments on their website.

The contribution of UNDP to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly, together with its share of any actuarial deficiency payments under article 26 of the Regulations, Rules and Pension Adjustment System of the Pension Fund. Such deficiency payments are payable only if and when the General Assembly has invoked article 26, following determination that there is a requirement for deficiency payments based on an assessment of an actuarial sufficiency of the Pension Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

The after-service health insurance programme extends subsidized health insurance coverage to retirees and their dependants under the same health insurance terms as for active staff based on certain eligibility requirements. The after-service health insurance programme at UNDP is a defined benefit plan. Accordingly, a liability is recognized to reflect the present value of the defined benefit obligation adjusted for unrecognized actuarial gains and losses and unrecognized past service cost. The latest actuarial valuations for the UNDP after-service health insurance programme were carried out as at 31 December 2012 using the projected unit credit method.

Defined contribution plan

UNDP, along with other participating organizations, is not in a position to identify its share of the underlying financial position and performance of the Pension Fund's multi-employer funded, defined benefit plan on an International Public Sector Accounting Standard 25 basis with sufficient reliability for accounting purposes, and, as allowed by Standard 25, treats this plan as if it were a defined contribution plan. Thus, obligations for contributions to the Pension Fund are recognized as an employee benefit expense in surplus or deficit in the statement of financial performance when they are due.

Defined benefit plans

The defined benefit plans of UNDP include after-service health insurance and certain end-of-service entitlements. The obligation of UNDP in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that obligation is discounted to determine its present value and stated at the end of the reporting year less the fair value of plan assets, together with adjustments for unrecognized past service costs. The calculation is performed annually by a qualified independent actuary using the projected unit credit method. The discount rate is the yield at the reporting date on high quality credit rated corporate bonds that have maturity dates approximating the terms of the payment obligations. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized directly to a reserve in net assets/equity in the year in which they arise. All other changes in the liability for those obligations are recognized in surplus or deficit in the statement of financial performance in the year in which they arise.

Other long-term employee benefits

Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Those benefits include the non-current portions of home leave and compensation for death and injury attributable to performance of duties. These are recognized as non-current liabilities and are measured at the present value of the estimated future cash flows if the payments and the impact of discounting are considered to be material. Actuarial gains and losses are reported in the statement of changes in net assets/equity.

Termination benefits

Termination benefits are recognized as an expense only when UNDP is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date, or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted.

Leases

Operating lease

Leases are classified as operating leases where UNDP is the lessee, and the lessor retains a significant portion of the risks and rewards inherent to ownership. Payments under operating leases, net of incentives received from the lessor, are recognized on a straight line basis in the statement of financial performance over the lease term.

Finance lease

Leases of tangible assets, where UNDP has substantially all the risks and rewards of ownership, are classified as financial leases. Initial recognition of a finance lease results in an asset and liability being recognized at the lower of the fair value of the leased property and the present value of the minimum lease payments. Subsequent to initial recognition, leased assets are depreciated over the shorter of the lease term and their useful lives in accordance with the accounting policies for property, plant and equipment. Each finance lease payment is allocated between the liability and finance charges. The interest portion of the finance lease obligations is recognized as an expense in the statement of financial performance over the term of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Right-to-use arrangements

Where UNDP has signed an agreement for the right-to-use assets without legal title/ownership of the assets, e.g., through donated use granted to UNDP at no cost, the transaction is a non-exchange transaction. In this case, an asset and revenue is recognized at the point the agreement is entered into. Recognition of an asset is contingent upon satisfying criteria for recognition of an asset. Valuation of the asset will be the fair value of the resource for which the right to use was acquired at the

date of acquisition. The asset is depreciated over the shorter of the asset's useful life and the right-to-use term. Revenue is also recognized at the same amount as the asset, except to the extent that a liability is also recognized.

Revenue recognition

Contributions

Voluntary contributions are non-exchange transactions which are recognized as revenue when contribution agreements become enforceable, or when cash is received in the absence of contribution agreements. Depending on the agreements, enforceability occurs upon signature alone, signature and receipt of deposit, or when conditions, if any, in contributions agreements are met. Revenue is shown net of returns of unused funds to donors and impairment of receivables.

Governments make pledges for regular resources voluntary contributions; however, in a few cases the pledged funds are not paid to UNDP. As the probability of inflow is not certain, UNDP does not treat those amounts as contingent assets.

In-kind contributions of goods provided are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to UNDP and the fair value of those assets can be measured reliably. In-kind contributions recognize revenue from right-to-use arrangements at the fair value of the asset reported. UNDP does not recognize or disclose contributions of services in-kind as an asset and revenue.

Revenue from exchange transactions

Exchange transactions are those in which UNDP sells goods or provides services. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is shown net of returns and discounts. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met. For example:

- Cost recovery revenue from work performed, such as procurement and payment services by UNDP on behalf of United Nations entities, is recognized when services are performed;
- Revenue from sales of human development reports is recognized when the sale takes place;
- Revenue from commissions and fees for procurement, training, administrative, custodial and other services rendered to governments, United Nations entities and other partners is recognized when the service is performed/training takes place.

Expense recognition

Expenses are recognized when goods/services are delivered/rendered and accepted by UNDP or as specified below.

For direct implementation by UNDP and full country office support to national government implementation, expenses are recognized when goods, i.e., non-capital or services, have been received by UNDP.

For national implementation or NGO implementation, expenses are recognized when funds are disbursed by executing entities/implementing partners and reported to UNDP.

Advances transferred to executing entities/implementing partners are recognized as expenses when goods are delivered or services rendered by the executing entities/implementing partners and confirmed by receipt by UNDP of certified expense reports as applicable, i.e., financial reports, Funding Authorization and Certificate of Expenditures forms or project delivery reports. Once those expense reports are received, UNDP recognizes expenses in its statement of financial performance. Data may be obtained from the audited statements of executing entities/implementing partners or, when such statements are not available at the reporting year end, from the entities' statements as submitted for audit/unaudited statements.

Commitments, provisions and contingencies

Commitments

Commitments are future expenses and liabilities to be incurred on contracts entered into at the reporting date for which UNDP has minimal discretion, if any, to avoid in the ordinary course of operations. Commitments relating to employment contracts are excluded. Commitments include:

- Capital commitments: aggregate amount of capital expenses contracted for but not recognized as paid or provided for at the year end;
- Contracts for the supply of goods or services which UNDP is expecting to be delivered in the ordinary course of operations;
- Non-cancellable minimum lease payments;
- Other non-cancellable commitments.

Provisions

A provision is recognized if, as a result of a past event, UNDP has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the present value of the expenses expected to be required to settle the obligation. The increase in a provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent assets

A contingent asset is disclosed when an inflow of economic benefits or service potential is probable. If it has become virtually certain that an asset is no longer contingent and that its value can be measured reliably, the asset and the related revenue are recognized in the year in which the change occurs.

Contingent liabilities

A contingent liability is disclosed unless the possibility that it will be realized is remote. If it becomes probable that a contingent liability will be realized, a provision is recognized in the year in which the change of probability occurs.

Note 5
Opening balances and prior-period adjustments

Opening balances

The following table shows the adjustments made from the audited United Nations system accounting standards statement of financial position of UNDP as at 31 December 2011 (reclassified and restated for IPSAS presentation) to the IPSAS opening statement of financial position of UNDP as at 1 January 2012:

(Thousands of United States dollars)

	UNSAS closing balances 31 December 2011 (restated)	*Effect of transition to IPSAS*	*Inter-fund transactions[a]*	*IPSAS opening balances as at 1 January 2012*
Assets				
Current assets				
Cash and cash equivalents	404 256	392 840	–	797 096
Cash and cash equivalents — funds held in trust	–	384 778	–	384 778
Investments	–	2 387 329	–	2 387 329
Investments — funds held in trust	655 049	(418 140)	–	236 909
Receivables — non-exchange transactions	52 706	150 714	–	203 420
Receivables — exchange transactions, net	4 791 166	12 302	(4 542 107)	261 361
Advances issued, net	188 139	1 991	–	190 130
Inventories	–	20 223	–	20 223
Other current assets, net	2 327	–	–	2 327
Total current assets	**6 093 643**	**2 932 037**	**(4 542 107)**	**4 483 573**
Non-current assets				
Investments	5 091 157	(2 773 849)	–	2 317 308
Investments — funds held in trust	–	33 362	–	33 362
Loans to Governments	22 808	(8 788)	–	14 020
Property, plant and equipment	3 000	75 497	–	78 497
Total non-current assets	**5 116 965**	**(2 673 778)**	**–**	**2 443 187**
Total assets	**11 210 608**	**258 259**	**(4 542 107)**	**6 926 760**
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	4 819 448	(126 142)	(4 542 107)	151 199
Advance payable	13 539	–	–	13 539
Funds held on behalf of donors	38 791	–	–	38 791
Payables — funds held in trust	691 494	(33 362)	–	658 132
Employee benefits	70 311	93 204	–	163 515
Other current liabilities	49 031	3 454	–	52 485
Total current liabilities	**5 682 614**	**(62 846)**	**(4 542 107)**	**1 077 661**

	UNSAS closing balances 31 December 2011 (restated)	*Effect of transition to IPSAS*	*Inter-fund transactions*[a]	*IPSAS opening balances as at 1 January 2012*
Non-current liabilities				
Payables — funds held in trust	–	33 362	–	33 362
Employee benefits	520 654	437 559	–	958 213
Other non-current liabilities	–	–	–	–
Total non-current liabilities	**520 654**	**470 921**	**–**	**991 575**
Total liabilities	**6 203 268**	**408 075**	**(4 542 107)**	**2 069 236**
Net assets/equity				
Reserves	371 638	–	–	371 638
Accumulated surpluses	4 635 702	(149 816)	–	4 485 886
Total net assets/equity	**5 007 340**	**(149 816)**	**–**	**4 857 524**
Total liabilities and net assets/equity	**11 210 608**	**258 259**	**(4 542 107)**	**6 926 760**

[a] This adjustment is required to remove the effect of inter-fund transactions within UNDP in order to show an accurate corporate financial.

After removing the effect of inter-fund transactions, total assets in the IPSAS opening statement of financial position as at 1 January 2012 were $258.26 million higher than in the reclassified United Nations system accounting standards statement of financial position of UNDP as at December 2011. This increase results primarily from recognition of receivables, property, plant and equipment, and inventory. Total liabilities increased by $408.08 million owing primarily to recognition of employee benefit liabilities. Net assets/equity decreased by $149.82 million.

Prior-period adjustments

Prior-period adjustments recorded in 2012 totalled $2.47 million. $1.47 million was to record the share of UNDP of payroll costs for its staff on loan to the United Nations relating to 2010 and prior. $0.45 million relates to the share of UNDP for medical services delivered at the Medical Service in New York in prior years. That amount was in dispute until 2012, when a mutual agreement was reached which required recognition of that amount as a prior-year adjustment. $0.55 million relates to adjustments for the non-UNDP portion of common service assets.

The net effect of those prior-period items is a decrease of accumulated surpluses by $2.47 million, a decrease of assets by $0.69 million and an increase in liabilities of $1.78 million. The asset line items reduced were receivables — exchange transactions of $0.14 million, and property, plant and equipment of $0.56 million. The liability line item reduced was accounts payable and accrued liabilities.

Note 6
Segment reporting

UNDP classifies all its activities into four segments: regular resources; cost-sharing; trust funds; and reimbursable support services and miscellaneous activities,

for purposes of evaluating its past performance in achieving its objectives and for making decisions about the future allocation of resources:

Regular resources

Regular resources are all resources of UNDP that are commingled and untied/unearmarked. These include voluntary contributions, contributions from other governmental, intergovernmental or non-governmental sources and related interest earnings and miscellaneous revenue.

Other resources

Cost-sharing

Cost-sharing is a cofinancing funding modality under which contributions can be received for specific UNDP programme activities, in line with UNDP policies, aims and activities. This modality is used for the direct funding of a specific project, group of projects or part of a country programme. Use of donor contributions is normally limited to the duration of a particular project. Cost-sharing has a decentralized signatory authority, and agreements are signed at the country office level.

Trust funds

Trust funds are a cofinancing funding modality established as a separate accounting entity under which UNDP receives contributions to finance UNDP programme activities specified by the contributor. Separate accounting records are kept for and financial reporting is at the level of each individual trust fund. Trust funds are required to be reported separately to the UNDP Executive Board. Trust funds have a centralized signatory authority, and agreements must be authorized by the Associate Administrator at the headquarters level. There are terms of reference governing each trust fund, and each is assigned a trust fund manager.

Reimbursable support services and miscellaneous activities

Reimbursable support services and miscellaneous activities are the resources of UNDP, other than regular resources, cost-sharing and trust funds. Those funds are received for the provision of management and other support services to third parties. Reimbursable support services and miscellaneous activities comprise the following activities: management service agreements; Junior Professional Officers programme; reimbursable support services; United Nations Volunteers programme; the reserve for field accommodation; programme support to Resident Coordinator; disaster mitigation programme; and extrabudgetary support for special purposes.

In order to attribute assets to the appropriate segment, UNDP has allocated cash and investments based on the inter-fund balances among the four segments.

Segment reporting — statement of financial position as at 31 December 2012

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Assets					
Current assets					
Cash and cash equivalents	119 473	393 157	168 989	184 491	866 110
Cash and cash equivalents — funds held in trust	266 613	–	–	–	266 613
Investments	244 063	803 688	346 821	377 147	1 771 719
Investments — funds held in trust	215 386	–	–	–	215 386
Receivables — non-exchange transactions	2	56 032	33 045	5 344	94 423
Receivables — exchange transactions, net	493 618	504	259	6 188	500 569
Advances issued, net	30 755	223 560	117 306	1 397	373 018
Inventories	2 022	20 312	475	1 132	23 941
Other current assets, net	806	345	76	3	1 230
Total current assets	**1 372 738**	**1 497 598**	**666 971**	**575 702**	**4 113 009**
Non-current assets					
Investments	325 266	1 084 877	472 352	509 101	2 391 596
Investments — funds held in trust	30 676	–	–	–	30 676
Loans to Governments	–	–	–	13 458	13 458
Property, plant and equipment	37 637	9 508	2 342	43 423	92 910
Intangible assets	2 911	–	134	2 789	5 834
Total non-current assets	**396 490**	**1 094 385**	**474 828**	**568 771**	**2 534 474**
Total assets	**1 769 228**	**2 591 983**	**1 141 799**	**1 144 473**	**6 647 483**

Segment reporting — statement of financial position as at 31 December 2012

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	40 665	26 846	11 396	26 324	105 231
Advances payable	1 972	8 194	7 658	391	18 215
Funds held on behalf of donors	22 039	775	13 495	–	36 309
Payables — funds held in trust	543 421	–	–	–	543 421

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total UNDP*
Employee benefits	135 355	46	81	43 616	179 098
Other current liabilities	13 581	29	612	5 049	19 271
Total current liabilities	**757 033**	**35 890**	**33 242**	**75 380**	**901 545**
Non-current liabilities					
Payables — funds held in trust	30 676	–	–	–	30 676
Employee benefits	644 371	–	–	403 177	1 047 548
Other non-current liabilities	6	–	–	4 464	4 470
Total non-current liabilities	**675 053**	**–**	**–**	**407 641**	**1 082 694**
Total liabilities	**1 432 086**	**35 890**	**33 242**	**483 021**	**1 984 239**
Net assets/equity					
Reserves	213 669	–	3 000	143 969	360 638
Accumulated surpluses	123 473	2 556 093	1 105 557	517 483	4 302 606
Total net assets/equity	**337 142**	**2 556 093**	**1 108 557**	**661 452**	**4 663 244**
Total liabilities and net assets/equity	**1 769 228**	**2 591 983**	**1 141 799**	**1 144 473**	**6 647 483**

Segment reporting — statement of financial performance for the year ended 31 December 2012

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Elimination*[a]	*Total UNDP*
Revenue						
Voluntary contributions, net	884 357	2 859 471	812 003	185 348	–	4 741 179
Revenue from exchange transactions	58	320	5	197 317	–	197 700
Investment revenue	13 188	29 187	13 352	9 611	–	65 338
Other revenue	52 445	5 362	1 814	238 879	(213 364)	85 136
Total revenue	**950 048**	**2 894 340**	**827 174**	**631 155**	**(213 364)**	**5 089 353**
Expenses						
Contractual services	227 517	1 400 133	467 731	101 104	–	2 196 485
Staff costs	431 808	123 379	81 775	342 124	–	979 086
Supplies and consumables	53 522	517 161	55 409	81 626	–	707 718
General operating expenses	227 719	584 458	146 900	116 109	(213 364)	861 822
Grants and other transfers	20 716	253 355	91 014	1 698	–	366 783

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Elimination*[a]	*Total UNDP*
Other expenses	57 201	49 344	14 980	4 288	–	125 813
Depreciation and amortization	8 742	1 201	447	7 787	–	18 177
Finance costs	4 038	2 379	238	246	–	6 901
Total expenses	**1 031 263**	**2 931 410**	**858 494**	**654 982**	**(213 364)**	**5 262 785**
Deficit for the year	**(81 215)**	**(37 070)**	**(31 320)**	**(23 827)**	–	**(173 432)**

[a] This adjustment is required to remove the effect of internal UNDP cost recovery.

Note 7
Comparison to budget

The budget and the accounting basis are different. Statement V, comparison of budget and actual amounts (regular resources), is prepared on the budget basis, i.e., the approved budgets of UNDP are prepared on a modified accrual basis. The presentation of activities and associated expenditures in statement V reflects the cost classification categories approved by the Executive Board of UNDP, i.e., (a) development activities: (i) programme; and (ii) development effectiveness; (b) United Nations development coordination activities; (c) management activities: (i) recurring; and (ii) non-recurring; and (d) special purpose activities: non-UNDP operations administered by UNDP. It is noted that statement II, statement of financial performance, reflects expenses by nature. For that reason, the total actual regular resources budget expenditure of $925 million differs from total financial accounting expenses.

Approved budgets are those that permit expenses to be incurred and are approved by the UNDP Executive Board. For IPSAS reporting purposes, the approved budgets of UNDP are the institutional budget financed from regular resources and the portion of the resource plan relating to development activities to be financed from regular resources. As other resources of UNDP are a forward estimate and projection based on assumptions about future events, and not formally approved by the Executive Board, the other resources are not presented in statement V. Those two budgets were approved for the two-year period 2012-2013. While UNDP budgets are for a two-year period, UNDP allocates those budgets into two annual amounts comprising the total of the two-year budget in order to provide the budget to actual comparison for the annual financial statements.

Statement V shows the comparison between the final approved budget with actual amounts calculated on the same basis as the corresponding budget. Explanations of material differences between the original approved budget and the final approved budget, and the final approved budget and the actual amounts are presented below.

Material differences between the original approved budget and the final approved budget are nil, as the original approved budget equates to the final approved budget. Budget utilization levels in 2012 were driven by a combination of the following factors: (a) approved budget levels; (b) overall cash flow and liquidity

requirements of UNDP; and (c) typical budgetary performance in the first year of a biennium (2012-2013) with respect to phasing in $40 million in investments endorsed by the Executive Board over the 2012-2013 period. Accordingly, utilization in the year 2012 against budget levels is as follows:

- Development activities — actual utilization of $595.2 million representing 94.3 per cent of the annualized approved budget of $631.3 million;
- United Nations development coordination activities — actual utilization of $79.1 million representing 93.4 per cent of the annualized approved budget of $84.7 million;
- Management activities — actual utilization of $236.5 million representing 89.4 per cent of the annualized approved budget of $264.6 million;
- Special purpose activities — non-UNDP operations administered by UNDP — actual utilization of $14.3 million representing 82.2 per cent of the annualized approved budget of $17.4 million.

During 2012, UNDP revised the annual spending limits noting the reduced level of voluntary contributions. This resulted in lower expenditure compared with the budget for 2012-2013 approved by the Executive Board.

Actual net cash flows from operating activities, investing activities, and financing activities in statement V as presented on a comparable basis reconcile to the amounts presented in statement IV, cash flow, as follows:

(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Total actual expenditure on comparable basis as presented in statement V	**(912 327)**	**(12 719)**	**–**	**(925 046)**
Basis differences	10 203	1 055	–	11 258
Entity differences	248 161	612 317	–	860 478
Net increase/(decrease) in cash and cash equivalents from statement IV	**(653 963)**	**600 653**	**–**	**(53 310)**

Basis differences include differences between the budget basis (modified accrual) and accounting basis (accrual), which result primarily from purchase orders that have been issued but not delivered. Those are included in the budget basis but not in the accounting basis as delivery of goods and the rendering of services has not yet occurred for those undelivered purchase orders.

Entity differences between statement V and statement IV include other resources, i.e., amounts for cost-sharing, trust funds and reimbursable support services and miscellaneous activities, which are incorporated in statement IV but not in statement V.

Timing differences do not exist, as the budget period annualized is the same as the financial statement reporting year.

Note 8
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2012
UNDP	
Cash at bank accounts	174 965
Petty cash and project cash	327
Overnight sweep investments	35 807
Money market funds	280 730
Time deposits	150 000
Money market instruments	249 976
Impairment	(25 695)
Total cash and cash equivalents, net	**866 110**
Held in trust for Multi-Donor Trust Funds	
Cash at bank accounts	2 334
Money market funds	148 972
Time deposits	95 600
Bonds	4 607
	251 513
Held in trust for the UNDP-Spain Millennium Development Goals Achievement Fund	
Cash at bank accounts	17
Money market funds	83
Time deposits	15 000
	15 100
Total cash and cash equivalents — funds held in trust	**266 613**
Total cash and cash equivalents, and funds held in trust	**1 132 723**

UNDP utilizes cash contributions received from programme country Governments to support country programmes where costs incurred are primarily in local currency. Cash held by UNDP in local currency is expected to be fully utilized locally to fund programme activities without conversion into the reporting currency of UNDP, i.e., United States dollars, or other convertible currencies. National currencies which have restricted utility for UNDP programme costs are regularly reviewed for impairment.

Impairment allowance of $25.70 million was recognized for Cuban pesos held by UNDP to adjust for the overvaluation of the Cuban peso. Of the $25.70 million, in 2012 $76.03 thousand was recognized in surplus and deficit in the statement of financial performance (refer to note 30), while the remaining $25.62 million was already recognized in surplus and deficit of prior years.

The exposure of UNDP to credit risks is disclosed in note 31.

Note 9
Investments

9.1
Total investments, portfolio held to maturity and available for sale financial assets

(Thousands of United States dollars)

	1 January 2012	*Purchases*	*Maturities*	*Amortization*	*Realized gains/ (losses)*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2012*
Investments								
Current investments								
Money market instruments	254 856	274 752	(505 000)	363	–	–	–	24 971
Bonds	2 132 148	358 830	(2 237 792)	(18 806)	–	–	510 308	1 744 688
Bonds — fair value adjustments	325	–	–	–	–	(325)	2 060	2 060
Total current investments	**2 387 329**	**633 582**	**(2 742 792)**	**(18 443)**	**–**	**(325)**	**1 512 368**	**1 771 719**
Non-current investments								
Bonds	2 311 592	1 784 181	(174 783)	(24 314)	8	–	(1 510 308)	2 386 376
Bonds — fair value adjustments	5 716	–	–	–	–	1 564	(2 060)	5 220
Total non-current investments	**2 317 308**	**1 784 181**	**(174 783)**	**(24 314)**	**8**	**1 564**	**(1 512 368)**	**2 391 596**
Total investments held to maturity and available for sale	**4 704 637**	**2 417 763**	**(2 917 575)**	**(42 757)**	**8**	**1 239**	**–**	**4 163 315**

As at 31 December 2012, UNDP did not have any impairment on investments.

The exposure of UNDP to credit risk, market risk, currency risks and risk management activities related to investments is disclosed in note 31.

9.1 (a)
Held to maturity financial assets

(Thousands of United States dollars)

	1 January 2012	*Purchases*	*Maturities*	*Amortization*	*Realized gains/ (losses)*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2012*
Investments held to maturity financial assets								
Current investments								
Money market instruments	254 856	274 752	(505 000)	363	–	–	–	24 971
Bonds	2 068 781	358 830	(2 174 792)	(18 439)	–	–	1 312 404	1 546 784
Total current investments	**2 323 637**	**633 582**	**(2 679 792)**	**(18 076)**	**–**	**–**	**1 312 404**	**1 571 755**

	1 January 2012	Purchases	Maturities	Amortization	Realized gains/ (losses)	Fair value increase/ (decrease)	Reclassification non-current to current	31 December 2012
Non-current investments								
Bonds	1 941 815	1 672 214	(174 784)	(22 033)	8	–	(1 312 404)	2 104 816
Total non-current investments	**1 941 815**	**1 672 214**	**(174 784)**	**(22 033)**	**8**	**–**	**(1 312 404)**	**2 104 816**
Total investments held to maturity financial assets	**4 265 452**	**2 305 796**	**(2 854 576)**	**(40 109)**	**8**	**–**	**–**	**3 676 571**

As at 31 December 2012, UNDP did not have any impairment on investments.

The exposure of UNDP to credit risk, market risk, currency risks and risk management activities related to investments is disclosed in note 31.

9.1 (b)
Available for sale financial assets

(Thousands of United States dollars)

	1 January 2012	Purchases	Maturities	Amortization	Realized gains/ (losses)	Fair value increase/ (decrease)	Reclassification non-current to current	31 December 2012 (notes 22, 31)
Investments of available for sale financial assets								
Current investments								
Bonds	63 367	–	(63 000)	(367)	–	–	197 904	197 904
Bonds — fair value adjustments	325	–	–	–	–	(325)	2 060	2 060
Total current investments	**63 692**	**–**	**(63 000)**	**(367)**	**–**	**(325)**	**199 964**	**199 964**
Non-current investments								
Bonds	369 777	111 967	1	(2 281)	–	–	(197 904)	281 560
Bonds — fair value adjustments	5 716	–	–	–	–	1 564	(2 060)	5 220
Total non-current investments	**375 493**	**111 967**	**1**	**(2 281)**	**–**	**1 564**	**(199 964)**	**286 780**
Total investments available for sale	**439 185**	**111 967**	**(62 999)**	**(2 648)**	**–**	**1 239**	**–**	**486 744**

The entire available for sale portfolio represents current and non-current investments for after-service health insurance amounting to $486.74 million. In addition to those investments, cash and cash equivalents also for after-service health insurance amount to $8.13 million. Investments and cash and cash equivalents for after-service health insurance total $494.87 million.

As at 31 December 2012, UNDP did not have any impairment on investments.

The exposure of UNDP to credit risk, market risk, currency risks and risk management activities related to investments is disclosed in note 31.

9.2
Funds held in trust total investments portfolio

(Thousands of United States dollars)

	1 January 2012	*Purchases*	*Maturities*	*Amortization*	*Realized gains/ (losses)*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2012*
Investments of funds held in trust								
Current investments								
Money market instruments	–	74 929	(25 000)	30	–	–	–	49 959
Bonds	236 909	230 473	(377 292)	(3 339)	–	–	78 676	165 427
Total current investments	**236 909**	**305 402**	**(402 292)**	**(3 309)**	**–**	**–**	**78 676**	**215 386**
Non-current investments								
Bonds	33 362	77 318	–	(1 328)	–	–	(78 676)	30 676
Total non-current investments	**33 362**	**77 318**	**–**	**(1 328)**	**–**	**–**	**(78 676)**	**30 676**
Total investments funds held in trust	**270 271**	**382 720**	**(402 292)**	**(4 637)**	**–**	**–**	**–**	**246 062**

As at 31 December 2012, UNDP did not have any impairment on investments funds held in trust.

9.2 (a)
Funds held in trust for multi-donor trust funds

(Thousands of United States dollars)

	1 January 2012	*Purchases*	*Maturities*	*Amortization*	*Realized gains/ (losses)*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2012*
Investments								
Current investments								
Money market instruments	–	74 929	(25 000)	30	–	–	–	49 959
Bonds	236 909	193 087	(348 404)	(3 042)	–	–	72 629	151 179
Total current investments	**236 909**	**268 016**	**(373 404)**	**(3 012)**	**–**	**–**	**72 629**	**201 138**
Non-current investments								
Bonds	33 362	71 224	–	(1 281)	–	–	(72 629)	30 676
Total non-current investments	**33 362**	**71 224**	**–**	**(1 281)**	**–**	**–**	**(72 629)**	**30 676**
Total investments	**270 271**	**339 240**	**(373 404)**	**(4 293)**	**–**	**–**	**–**	**231 814**

As at 31 December 2012, UNDP did not have any impairment on investments funds held in trust.

9.2 (b)
Funds held in trust for the UNDP-Spain Millennium Development Goals Achievement Fund

(Thousands of United States dollars)

	1 January 2012	*Purchases*	*Maturities*	*Amortization*	*Realized gains/ (losses)*	*Fair value increase/ (decrease)*	*Reclassification non-current to current*	*31 December 2012*
Investments								
Current investments								
Money market instruments	–	–	–	–	–	–	–	–
Bonds	–	37 386	(28 888)	(297)	–	–	6 047	14 248
Total current investments	**–**	**37 386**	**(28 888)**	**(297)**	**–**	**–**	**6 047**	**14 248**
Non-current investments								
Bonds	–	6 094	–	(47)	–	–	(6 047)	–
Total non-current investments	**–**	**6 094**	**–**	**(47)**	**–**	**–**	**(6 047)**	**–**
Total investments	**–**	**43 480**	**(28 888)**	**(344)**	**–**	**–**	**–**	**14 248**

As at 31 December 2012, UNDP did not have any impairment on investments funds held in trust.

Note 10
Receivables — non-exchange transactions

(Thousands of United States dollars)

	31 December 2012
Contributions receivable	89 380
Government letters of credit	5 043
Total receivables — non-exchange transactions	**94 423**

Ageing of receivables — non-exchange transactions

(Thousands of United States dollars)

	31 December 2012
Less than 6 months	82 480
Over 6 months	11 943
Total receivables — non-exchange transactions	**94 423**

As at 31 December 2012, UNDP did not have any impairment on receivables — non-exchange transactions.

The exposure of UNDP to credit and currency risks related to receivables is disclosed in note 31.

Note 11
Receivables — exchange transactions

(Thousands of United States dollars)

	31 December 2012
Receivables from United Nations entities	457 671
Investment receivables	30 331
Receivables from third parties	10 900
Receivables from staff	1 303
Derivative assets	789
Total receivables — exchange transactions, gross	**500 994**
Impairment	(425)
Total receivables — exchange transactions, net	**500 569**

Ageing of receivables — non-exchange transactions

(Thousands of United States dollars)

	31 December 2012
Less than 6 months	498 359
Over 6 months	2 635
Total receivables — exchange transactions, gross	**500 994**

Receivables — exchange transactions from United Nations entities

(Thousands of United States dollars)

	31 December 2012
United Nations Office for Project Services	269 042
United Nations Population Fund	127 609
United Nations Entity for Gender Equality and the Empowerment of Women	48 920
United Nations Capital Development Fund	7 774
Receivables from other entities for common services	2 878
United Nations University	1 448
Total receivables — exchange transactions from United Nations entities	**457 671**

The impairment allowance of $425,000 was already recognized in surplus and deficit of prior years.

The exposure of UNDP to credit and currency risks related to receivables is disclosed in note 31.

Note 12
Advances issued

(Thousands of United States dollars)

	31 December 2012
Operating funds issued to Governments and NGOs not yet implemented	192 045
Operating funds issued to United Nations entities not yet implemented	41 050
Advances issued — non-exchange transactions	**233 095**
Prepayments	125 458
Advances to staff	16 149
Advances issued — exchange transactions	**141 607**
Total advances issued, gross	**374 702**
Impairment	(1 684)
Total advances issued, net	**373 018**

Ageing of advances — non-exchange and exchange transactions

(Thousands of United States dollars)

	31 December 2012
Less than 6 months	358 584
Over 6 months	16 118
Advances issued non-exchange and exchange transactions, gross	**374 702**

The impairment allowance of $1.68 million was already recognized in surplus and deficit of prior years.

Prepayments are primarily for medical supplies from the United Nations Children's Fund.

Note 13
Inventories

(Thousands of United States dollars)

	31 December 2012
Medical supplies and equipment	17 403
Information technology supplies and consumables	2 777
Office supplies	700
Fuel	461
Publications	389
Human development reports	149
Electoral supplies and equipment	173

	31 December 2012
Crisis supplies and equipment	77
Other project-related inventories	1 812
Total inventories	**23 941**

Note 14
Other assets

(Thousands of United States dollars)

	31 December 2012
Current assets	
Dispensary, medical and other receivables	1 641
Impairment	(411)
Total other current assets, net	**1 230**

Note 15
Loans to Governments

(Thousands of United States dollars)

	31 December 2012
Non-current assets	
Loans to Governments	13 458
Total loans to Governments	**13 458**

Loans to governments consist of loans issued to the Governments of Burundi, Comoros, Cape Verde, Guinea-Bissau, Maldives, Sao Tome and Principe, and Zambia.

Note 16
Property, plant and equipment

UNDP has two broad categories of property, plant and equipment, project assets and management assets. Project assets, which comprise 15 per cent of total assets, are utilized in the delivery of UNDP programmes/projects. Management assets, which comprise 85 per cent of total assets, are used for non-project specific operations at UNDP country offices and headquarters. As at 31 December 2012, UNDP has a gross carrying amount of $13 million of fully depreciated property, plant and equipment that is still in use.

Thousands of United States dollars)

	Land	*Buildings*	*Furniture and fixtures*	*Communications and information technology equipment*	*Vehicles*	*Heavy machinery and other equipment*	*Leasehold improvements*	*Assets under construction*	*Total*
Balance at 1 January 2012									
Cost	6 950	25 253	5 666	45 268	26 567	8 603	–	4 294	122 601
Accumulated depreciation	–	–	(2 922)	(24 933)	(12 906)	(3 343)	–	–	(44 104)
Carrying amount at 1 January 2012	**6 950**	**25 253**	**2 744**	**20 335**	**13 661**	**5 260**	**–**	**4 294**	**78 497**
Year ended 31 December 2012									
Additions	–	4 950	1 398	13 047	11 809	4 879	891	2 412	39 386
Disposals	–	–	(307)	(4 024)	(1 766)	(1 110)	–	–	(7 207)
Adjustments	–	101	(4)	(634)	6	(288)	–	–	(819)
Re-categorization	–	–	(3)	3	–	10	–	(4 294)	(4 284)
Depreciation	–	(666)	(580)	(9 278)	(5 814)	(930)	(45)	–	(17 313)
Adjustments to accumulated depreciation, i.e., disposals, other adjustments	–	2	172	2 951	936	589	–	–	4 650
Carrying amount at 31 December 2012	**6 950**	**29 640**	**3 420**	**22 400**	**18 832**	**8 410**	**846**	**2 412**	**92 910**
Balance at 31 December 2012									
Cost	6 950	30 304	6 750	53 660	36 616	12 094	891	2 412	149 677
Accumulated depreciation	–	(664)	(3 330)	(31 260)	(17 784)	(3 684)	(45)	–	(56 767)
Carrying amount at 31 December 2012	**6 950**	**29 640**	**3 420**	**22 400**	**18 832**	**8 410**	**846**	**2 412**	**92 910**

As at 31 December 2012, UNDP did not have any impairment on property, plant and equipment.

Note 17
Intangible assets

(Thousands of United States dollars)

	Software acquired	*Software internally developed*	*Trademarks, copyrights, and licences*	*Assets under development*	*Total*
Balance as at 1 January 2012					
Additions, adjustments	10	4 925	858	905	6 698
Amortization	(2)	(673)	(189)	–	(864)
Carrying amount as at 31 December 2012	**8**	**4 252**	**669**	**905**	**5 834**
Balance as at 31 December 2012					
Cost	10	4 925	858	905	6 698
Accumulated amortization	(2)	(673)	(189)	–	(864)
Carrying amount as at 31 December 2012	**8**	**4 252**	**669**	**905**	**5 834**

As at 31 December 2012, UNDP did not have any impairment on property, plant and equipment.

Note 18
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2012
Accruals	41 475
Payables to United Nations entities	32 715
Payables to third parties	29 571
Derivative liabilities	1 053
Payables to staff	417
Total accounts payable and accrued liabilities	**105 231**

Payable to United Nations entities

(Thousands of United States dollars)

	31 December 2012
Payables to United Nations current account	17 880
World Health Organization	4 597
United Nations Relief and Works Agency for Palestine Refugees in the Near East	2 538
Joint United Nations Programme on HIV/AIDS	2 246
Payables to other United Nations entities for common services	5 454
Total payables to United Nations entities	**32 715**

Note 19
Advances payable

(Thousands of United States dollars)

	31 December 2012
Operating funds payable to executing entities/implementing partners	18 215
Total advances payable	**18 215**

Note 20
Funds held on behalf of donors

Refunds pending to donors of $36.31 million comprise unspent funds for completed or terminated projects and, where applicable, interest that has been set aside to be refunded to donors in accordance with contribution agreements and the Financial Regulations and Rules of UNDP. The funds will be refunded or reprogrammed upon receipt of instructions from donors for reprogramming or refund.

Note 21
Payables — funds held in trust

(Thousands of United States dollars)

	31 December 2012
Multi-Donor Trust Funds	452 608
Clearing accounts with United Nations entities	63 139
Spain-UNDP Millennium Development Goals Achievement Fund	27 674
Total current payables — funds held in trust	**543 421**
Multi-Donor Trust Funds	30 676
Total non-current payables — funds held in trust	**30 676**
Total payables — funds held in trust	**574 097**

Payables — funds held in trust represents funds provided by donors to UNDP to be held by it on behalf of the United Nations system. UNDP manages investments in separate portfolios on behalf of several organizations.

Note 22
Employee benefits

(Thousands of United States dollars)

	31 December 2012
Current	
Annual leave	69 967
After-service health insurance	17 626

	31 December 2012
Repatriation entitlements	7 395
Home leave	6 777
Termination benefits	3 114
Accrued contribution to the United Nations Joint Staff Pension Fund	554
Death benefits	222
Other employee benefits	73 443
Total current employee benefit liabilities	**179 098**
Non-current	
After-service health insurance	961 496
Repatriation entitlements	81 563
Death benefits	2 336
Home leave	2 153
Total non-current employee benefit liabilities	**1 047 548**
Total employee benefit liabilities	**1 226 646**

The liabilities arising from post-employment benefits are determined by independent actuaries and these employee benefits are established in accordance with the Staff Regulations of the United Nations and Staff Rules.

As at 31 December 2012, liabilities for after-service health insurance, repatriation entitlements and death benefits are determined by the actuarial valuation conducted as at 31 December 2012.

United Nations Joint Staff Pension Fund

The financial obligation of UNDP to the Pension Fund consists of its mandated contribution at the rate established by the General Assembly, i.e., 7.9 per cent for participants and 15.8 per cent for member organizations, together with any share of any actuarial deficiency payments under article 26 of the Regulations, Rules and Pension Adjustment System of the Pension Fund. As at 31 December 2012, the General Assembly had not involved this provision, and no deficiency payments were applicable to UNDP.

The latest pension actuarial valuation was performed as at 31 December 2011. The valuation revealed an actuarial deficit of 1.87 per cent of pensionable remuneration and an actuarial deficit of $6.71 million. The actuarial deficit was attributable primarily to the lower than expected investment experience in recent years. This further implies that the theoretical contribution rate required to achieve balance as at 31 December 2011 was 25.57 per cent of pensionable remuneration, compared with the actual contribution rate of 23.7 per cent.

As the plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations, there is no reliable basis for allocating the obligation, plan assets and other participating organizations in the plan. As a result, UNDP has accounted for this plan as a defined contribution plan consistent with the provision of IPSAS 25, "Employee benefits".

Defined benefit plans

In addition to the Pension Fund, UNDP provides its staff and former staff with the following defined benefit plans, which are actuarially valued: after-service health insurance; end-of-service entitlements, such as repatriation entitlement; and other benefits, such as death benefits.

The movements in the present value of the defined benefit obligation for those plans are:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Net defined benefit obligation as at 1 January 2012	829 923	82 849	–	912 772
Increase of the obligation				
Current service cost	35 997	6 513	–	42 510
Interest cost	36 984	3 547	–	40 531
Actuarial losses from change in assumptions	92 358	4 062	–	96 420
Actuarial losses from initial recognition of death benefits	–	–	2 558	2 558
Actuarial losses on disbursements	–	1 594	–	1 594
Decrease of the obligation				
Actual benefits paid	(12 622)	(9 607)	–	(22 229)
Actuarial (gains) on disbursements	(3 518)	–	–	(3 518)
Net recognized liability at 31 December 2012	**979 122**	**88 958**	**2 558**	**1 070 638**

The value of the defined benefit obligation equals the defined benefit liability that is recognized in the statement of financial position.

The current service cost and interest cost recognized in the statement of financial performance and the statement of financial position are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Current service cost	35 997	6 513	–	42 510
Interest cost	36 984	3 547	–	40 531
Total employee benefits expenses recognized	**72 981**	**10 060**	–	**83 041**

The actuarial gains/(losses) recognized in net assets/equity directly are as follows:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation*	*Death benefits*	*Total*
Actuarial gains/(losses) from change in assumptions	(92 358)	(4 062)	–	(96 420)
Actuarial gains/(losses) on disbursement	3 518	(1 594)	–	1 924
Actuarial gains/(losses) on initial recognition of death benefits	–	–	(2 558)	(2 558)
Total actuarial (losses) recognized	**(88 840)**	**(5 656)**	**(2 558)**	**(97 054)**

UNDP has funded $494.87 million of the after-service health insurance liability and has been setting aside resources since the year 2000 to fund the employee benefits liability over a period of time.

The next comprehensive actuarial valuation will be conducted as at 31 December 2013.

Actuarial assumptions

The last actuarial valuation was conducted as at 31 December 2012, and the principal actuarial assumptions used to determine the defined benefit obligation are as follows:

	2012
Discount rate	4.0%
Expected rate of medical cost increase (varies by medical plan)	5-8%
Salary scale (varying by age and staff category)	4-9.1%
Rate of inflation	2.5%
Per capita claim cost (varies by age)	$824-$14,206
Actuarial method	projected unit credit method

Assumptions regarding future mortality are based on published statistics and mortality tables. The current rates of death underlying the values of the liabilities in the after-service health insurance and repatriation calculations are as follows:

Rate of death — Pre-retirement	*At age 20*	*At age 69*
Male	0.00065	0.00906
Female	0.00034	0.00645

Rate of death — Post-retirement	*At age 20*	*At age 70*
Male	0.00072	0.01176
Female	0.00037	0.00860

The rates of retirement for Professionals with 30 or more years of service hired on or after 1 January 1990 are as follows:

Rate of retirement — Professionals with 30 or more years of service	*At age 55*	*At age 62*
Male	0.20	0.7
Female	0.25	0.8

Sensitivity analysis

Should the assumptions about medical cost trends described above change, this would have an impact on the measurement of the after-service health insurance obligation as follows:

(Thousands of United States dollars)

	+1% health costs	*-1% health costs*
Effect of discount rate change on year end accumulated defined benefit obligation	220 398	(169 159)
Effect of change in expected rate of medical costs on combined service and interest cost components of net periodic post-employment medical costs	21 352	(15 648)

Termination benefits

In the course of normal operations, UNDP recognized $3.11 million in termination benefits.

Note 23
Other liabilities

(Thousands of United States dollars)

	31 December 2012
Current	
Unapplied deposits	9 885
Deferred revenue	5 762
Finance lease	5
Other payables	3 619
Total other current liabilities	**19 271**
Non-current	
Deferred revenue	4 464

	31 December 2012
Finance lease	6
Total other non-current liabilities	**4 470**
Total other liabilities	**23 741**

Unapplied deposits represent funds received by UNDP which have not yet been applied to specific projects.

The finance lease is for office equipment in one UNDP country office and is not of significant value.

Note 24
Reserves

(Thousands of United States dollars)

	1 January 2012	*Movements*	*31 December 2012*
Endowment fund	3 000	–	3 000
Operational reserve	367 968	(11 000)	356 968
Reserve for special initiatives	670	–	670
Total	**371 638**	**(11 000)**	**360 638**

The Endowment Fund reserve is a contribution of $3.0 million in 1998 from the Government of Japan to strengthen the planning and managerial capacities of Palestinian institutions in order to promote sustainable socioeconomic development. Under the Endowment Fund mechanism and implementation arrangements, the principal amount will not be available for programming until such time as the Government of Japan and/or UNDP agrees to terminate the Endowment Fund. However, interest earned on the fund is available for programming.

The operational reserve was established in 1979 by the Governing Council (now the Executive Board) of UNDP to ensure adequate liquidity of UNDP by funding such reserve through a defined formula that is calculated yearly.

The reserve for special initiatives of $0.67 million was first approved by the Executive Board in the year 2000 to establish a capital reserve as a charge from UNDP general resources. This amount will cover relocation costs, such as renovations, furniture, fittings and moving costs.

Note 25
Accumulated surpluses

(Thousands of United States dollars)

	1 January 2012	*Movements*	*31 December 2012*
Accumulated surpluses	4 485 886	(84 998)[a]	4 400 888
Actuarial losses	–	(97 054)	(97 054)

	1 January 2012	*Movements*	*31 December 2012*
Net gain on available for sale investments	–	1 239	1 239
Prior-period adjustments	–	(2 467)	(2 467)
Total accumulated surpluses	**4 485 886**	**(183 280)**	**4 302 606**

[a] Movements in accumulated surpluses of $(84.998) million comprise: deficit for the year of $(173.432) million offset against: (a) funds with specific purposes of $77.434 million; and (b) operational reserve transfer to accumulated surpluses of $11 million. The funds with specific purposes include: security; working capital; information and communications technology; United Nations Volunteers; learning; and personnel and other.

Note 26
Voluntary contributions

(Thousands of United States dollars)

	31 December 2012
Contributions	4 863 823
Contributions in-kind	15 845
Less: returns to donors of unused contributions	(138 489)
Total voluntary contributions, net	**4 741 179**

Contributions include $34.139 million of government contributions to local office costs provided by programme country governments.

Contributions in-kind primarily comprise donated use of land and buildings of $15.594 million, as well as donated goods such as computer equipment and supplies received from donors of $0.251 million.

Note 27
Revenue — exchange transactions

(Thousands of United States dollars)

	31 December 2012
United Nations Department of Safety and Security	89 601
Reimbursement for management and support services	49 451
United Nations Volunteers programme	24 200
Implementation support services fees	20 098
Payroll management services fees	4 825
Procurement handling fees	3 931
Training fees	2 296
Rental revenue	1 737
Multi-Partner Trust Fund Office administrative agent fees	1 373

	31 December 2012
Sales and royalties from sale of publications	18
Other exchange revenue	170
Total revenue from exchange transactions	**197 700**

Note 28
Investment revenue

(Thousands of United States dollars)

	31 December 2012
Interest revenue	65 330
Gains on investments	8
Total investment revenue	**65 338**

Investment revenue represents interest plus amortized discount, net of amortized premium, earned on the UNDP investment portfolio. In addition, it includes interest earned on bank account balances.

Note 29
Other revenue

(Thousands of United States dollars)

	31 December 2012
Foreign exchange gains[a]	49 438
Common services and miscellaneous revenue	29 746
General management services fees	5 952
Total other revenue	**85 136**

[a] Of the total $49.438 million, foreign exchange gains relating to revaluation of cash and cash equivalents is $4.159 million.

Note 30
Expenses

(Thousands of United States dollars)

	Programme expense[a]	*Total expenses*
	31 December 2012	*31 December 2012*
30.1 Contractual services		
Contractual services with individuals	1 284 550	1 342 931
Contractual services with companies	795 812	807 121

	Programme expense[a]	*Total expenses*
	31 December 2012	*31 December 2012*
United Nations Volunteers expenses for contractual services	41 586	46 433
Total contractual services	**2 121 948**	**2 196 485**
30.2 Staff costs		
Salary and wages	202 554	668 756
Pension benefits	31 373	111 410
Post-employment and termination	15 047	93 121
Appointment and assignment	12 846	35 460
Leave benefits	7 872	19 824
Other staff benefits	14 574	50 515
Total staff costs	**284 266**	**979 086**

	Programme expense[b]	*Total expenses*
	31 December 2012	*31 December 2012*
30.3 Supplies and consumables used		
Maintenance costs for property, plant and equipment and project-related supplies	301 704	311 762
Medical, pharmaceutical and agricultural supplies	240 180	243 985
Information technology supplies and software maintenance	48 153	53 730
Information technology and communications equipment	49 585	51 887
Security and office supplies	30 438	34 342
Other consumables used	10 002	12 012
Total supplies and consumables used	**686 062**	**707 718**
30.4 General operating expenses		
Travel	230 646	267 882
Learning and recruitment	167 276	182 218
Rent, leases, utilities	71 865	151 598
Communications	123 344	147 486
Freight	20 850	26 912
Professional services	23 600	25 658
Security	6 106	20 271
Reimbursement	10 042	10 426
Contribution to jointly financed United Nations activities	2 304	8 514
Contribution to information and communications technology	2 020	7 272
Insurance/warranties	4 753	6 089
Management service agreement fees	3 884	3 884

	Programme expense[b]	*Total expenses*
	31 December 2012	*31 December 2012*
Miscellaneous operating expenses	192 110[c]	3 612
Total general operating expenses	**858 800**	**861 822**
30.5 Grants and other transfers		
Grants	358 356	360 220
Transfers	5 155	6 563
Total grants and other transfers	**363 511**	**366 783**
30.6 Other expenses		
Sundries[d]	74 593	82 672
Foreign exchange losses	4 184	44 590
Losses on sale of fixed assets and intangible assets	875	1 570
Impairment	–	(3 019)[e]
Total other expenses	**79 652**	**125 813**
30.7 Depreciation and amortization		
Depreciation	2 048	17 313
Amortization	–	864
Total depreciation and amortization	**2 050**	**18 177**
30.8 Finance costs		
Bank charges	3 074	6 901
Total finance costs	**3 074**	**6 901**
Total expenses	**4 393 363**	**5 262 785**

[a] Of the total expenses, $4.393 billion represents programme expenses, and the remaining $869.424 million represents development effectiveness, United Nations development coordination, management, special purpose and other. Refer to note 35.1 for details.

[b] Of the total expenses, $4.393 billion represents programme expenses, and the remaining $869.424 million represents development effectiveness, United Nations development coordination, management, special purpose and other. Refer to note 35.1 for details.

[c] Of the $192.110 million, $191.042 million is eliminated to remove the effect of internal UNDP cost recovery.

[d] Includes expenses of $26.207 thousand approved and paid by UNDP as ex gratia payments in accordance with UNDP Financial Regulation 23.01 and UNDP Financial Rule 123.01.

[e] In 2012, UNDP recognized $(3.019) million in the statement of financial performance which represents the net change in allowance for impairment from the prior year to the current year. The $(3.019) million comprises: (1) impairment for staff receivables of $1.427 million; (2) reversal of an allowance for impairment of $(4.564) million; and (3) net impairment of $118,000 for restricted currencies and other. As at 31 December 2011, there was a total allowance for impairment of $7.5 million. In 2012, it was determined $(4.564) million is no longer required as an allowance for impairment, and thus reversed and reflected in surplus and deficit in the statement of financial performance as required by the provisions of International Public Sector Accounting Standard 3 for changes in accounting estimates.

Note 31
Risk management of financial instruments

The risk management policies adopted by UNDP are in accordance with its Investment Guidelines and its Financial Regulations and Rules. Those policies aim to minimize potential adverse effects on the resources available to UNDP to fund its activities. The principal objectives of the UNDP Investment Guidelines are:

- Safety: preservation of capital, provided through investing in high quality, fixed-revenue securities emphasizing the creditworthiness of the issuers;
- Liquidity: flexibility to meet cash requirements through investments in highly marketable, fixed-income securities and through structuring maturities to align with liquidity requirements;
- Revenue: maximization of investment revenue within the foregoing safety and liquidity parameters.

In its operations, UNDP is exposed to a variety of financial risks including:

- Credit risk: the possibility that third parties may not pay amounts due to UNDP;
- Liquidity risk: the likelihood that UNDP might not have adequate funds to meet its obligations as they fall due;
- Market risk: the possibility that UNDP might incur financial losses owing to unfavourable movements in foreign currency exchange rates, interest rates and/or prices of investment securities.

UNDP has an Investment Committee comprising senior management which meets quarterly to review its investment portfolio performance and to ensure that investment decisions are in compliance with the established Investment Guidelines.

Credit risk

The UNDP Investment Guidelines limit the amount of credit exposure to any one counterparty, and include minimum credit quality requirements. The credit risk mitigation strategies stated in the Investment Guidelines include conservative minimum credit criteria of investment grade for all issuers with maturity and counterparty limits by credit rating. The Investment Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible investments are limited to fixed income instruments of sovereigns, supranationals, governmental or federal agencies, and banks.

Credit ratings

As at 31 December 2012, non-current and current investments of UNDP were in investment grade instruments as indicated below:

(Thousands of United States dollars)

	Average credit rating	*31 December 2012*
Money market instruments	AAA	24 971
Bonds	AA+	4 138 344
Total current and non-current investments		**4 163 315**

Note: Excludes investments classified as cash equivalents and funds held in trust.

The investment management function is centralized at UNDP headquarters, and country offices are not permitted in normal circumstances to engage in investing. A country office may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Investment Guidelines.

For other resources, the Financial Regulations and Rules of UNDP require that expenses be incurred after receipt of funds from donors, thereby considerably reducing the financial risk to UNDP with regard to contributions receivable. Exceptions to incurring expenses prior to the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to the amounts receivable. In addition, a large portion of the contributions receivable is due from sovereign governments and supranational agencies, including other United Nations entities, which do not have significant credit risk.

Receivables — non-exchange transactions by entity type

(Thousands of United States dollars)

	31 December 2012
Government entities	42 285
Non-Government entities	52 138
Total receivables non-exchange transactions	**94 423**

Note: Non-Government entities mainly comprise supranational and international entities.

UNDP evaluates for impairment of doubtful accounts at each reporting date. Impairment results when there is objective evidence that UNDP will not collect the full amount due. As at 31 December 2012, UNDP had no impaired contributions receivable or government letters of credit.

Liquidity risk

Investments are made with due consideration to the cash requirements of UNDP for operating purposes based on cash flow forecasting. The investment approach of UNDP includes consideration for investment maturity structuring that takes into account the timing of future funding needs of the organization. UNDP maintains a large portion of its investments in cash equivalents and current investments sufficient to cover its commitments as and when they fall due, as highlighted in the table below.

Liquidity

(Thousands of United States dollars)

	Percentage of total	*31 December 2012*
Cash balances	3	149 597
Investments — cash equivalents	14	716 513
Total cash and cash equivalents	**17**	**866 110**
Current investments	35	1 771 719
Non-current investments	48	2 391 596
Total current and non-current investments	**83**	**4 163 315**
Total cash and cash equivalents and investments	**100**	**5 029 425**

Note: Excludes funds held in trust. Investments classified as cash equivalents have a maturity of three months or less from the date of purchase.

Market risk

Interest rate risk

UNDP is exposed to interest rate risk on its interest bearing assets. Owing to the relatively short average maturity and held to maturity classification of a significant portion of the investment portfolio of UNDP, an interest sensitivity analysis related to these investments would not disclose significant variations in value. Held to maturity assets are not marked to market and, therefore, changes in interest rates do not have an impact on the carrying amounts.

Classification of portfolio

(Thousands of United States dollars)

	Carrying amount	*31 December 2012*
Held to maturity investments	Amortized cost	3 676 571
Available for sale investments	Fair value	486 744
Total current and non-current investments		**4 163 315**

Note: Amortized cost and fair value are calculated using the effective interest rate method. Excludes investments classified as cash equivalents and funds held in trust.

The UNDP Investment Committee regularly monitors the rate of return on the UNDP investment portfolio compared with benchmarks specified in the Investment Guidelines.

Foreign exchange risk

As at 31 December 2012, 98 per cent of the cash, cash equivalents and investments of UNDP were denominated in United States dollars and 2 per cent were denominated in other currencies. Non-United States dollar holdings have the primary objective of supporting local operating activities in programme countries.

UNDP maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars.

Currency exposure

(Thousands of United States dollars)

	United States dollars	*Other currencies*	*Total*
Cash and cash equivalents	757 010	109 100	866 110
Current and non-current investments	4 163 315	–	4 163 315
Total cash and cash equivalents and investments	**4 920 325**	**109 100**	**5 029 425**
Percentage of total	**98**	**2**	**100**

UNDP is exposed to foreign exchange risk arising primarily from non-United States dollar contributions. Foreign exchange risk to UNDP is mitigated where contributions are received in local currency from programme country Governments and used to fund local expenses.

UNDP has an active hedging programme to mitigate foreign exchange risk in nine major currencies. UNDP uses derivative instruments, such as foreign exchange forwards, options and structured options, to manage its foreign exchange exposure. Those derivatives are marked-to-market, with gains or losses recognized in surplus and deficit in the statement of financial performance. At year end, open derivative positions comprised options held with reputable financial institutions. Derivative carrying amounts were as follows:

Derivative positions

(Thousands of United States dollars)

	31 December 2012
Derivative assets	789
Derivative liabilities	(1 053)
Net carrying amount	**(264)**

Note: The notional amount of derivative instruments was $102.8 million.

Note 32
Related parties

Key management personnel

The leadership structure of UNDP consists of an Executive Group of 12 members. The Executive Group is responsible for the strategic direction and operational management of UNDP and is entrusted with significant authority to execute the UNDP mandate. Collectively this Executive Group comprises four tiers: an Under-Secretary-General and Administrator (Administrator); an Under-Secretary-General (Associate Administrator); nine Assistant Secretaries-General (Assistant

Administrators); and a Chief of Staff and Director (Chief of Staff and Director, Office of the Administrator (ex officio)).

Remuneration

(Thousands of United States dollars)

Tier	*Number of positions*	*Salary and post adjustment*	*Other entitlements*	*Total remuneration*	*After-service health insurance, repatriation, death benefit and annual leave liability*
Key management personnel	12	2 746	781	3 527	4 221
Close family members of key management personnel	1	66	4	70	6
Total	**13**	**2 812**	**785**	**3 597**	**4 227**

The remuneration paid to key management personnel includes salary, post adjustment and other entitlements as applicable in accordance with the Staff Regulations of the United Nations and Staff Rules.

Loans

Staff advances are available to UNDP staff, including key management personnel, for specific purposes as provided for in the Staff Regulations of the United Nations and Staff Rules. As at 31 December 2012, there were no advances issued to key management personnel and their close family members that were not available to all UNDP staff.

United Nations system

UNDP is engaged in United Nations system initiatives such as joint funding arrangements (Multi-Donor Trust Funds and joint programmes) and common services arrangements. Within joint funding mechanisms, United Nations entities work together to implement activities and achieve results. Each of the participating United Nations entities assumes its share of responsibilities related to planning, implementing, monitoring and evaluating these activities.

UNDP is a cosponsoring organization of the Joint United Nations Programme on HIV/AIDS (UNAIDS), an innovative joint effort of the United Nations family to respond in a coordinated manner on the issue of HIV/AIDS. UNDP participates in setting the financial and operating policies of the Programme Coordinating Board of UNAIDS, which is headquartered in Geneva.

Note 33
Commitments and contingencies

Open commitments

(Thousands of United States dollars)

	31 December 2012
Property, plant and equipment	7 000
Goods	76 530
Services	183 683
Total open commitments	**267 213**

As at 31 December 2012, commitments of UNDP for the acquisition of various goods and services contracted but not received amounted to $267,213.

Lease commitments by term

(Thousands of United States dollars)

	31 December 2012
Obligations for property leases	
Less than 1 year	52 703
1-5 years	100 469
Beyond 5 years	49 011
Total	**202 183**

The length of contractual leases entered into by UNDP are typically between 5 to 10 years; however, some leases permit early termination within 30, 60 or 90 days. The above presents future obligations for the minimum lease term/contractual term of the lease payment.

Contingent assets

At 31 December 2012, UNDP had a contingent asset for a compound in South Sudan over which there is an ownership dispute. Owing to that dispute, UNDP has not recognized the land and buildings in the compound as property, plant and equipment. In 2012, independent valuators assessed the fair value of the land and buildings at $8.9 million.

Contingent liabilities

In the normal course of operations, UNDP is subject to claims which have been categorized as: (a) corporate and commercial claims; (b) administrative law claims; and (c) other claims.

As at 31 December 2012, corporate and commercial and administrative law claims totalled $7.331 million. Owing to the uncertainty of the outcome of those claims, no impairment or allowance for loss has been recorded as the occurrence,

amount and timing of outflow is not certain. UNDP does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

UNDP is a partner organization in the International Computing Centre based in Geneva. The memorandum of understanding between the partner organizations provides for financial responsibility of partner organizations should any third-party claim or liability arise within certain conditions. As at 31 December 2012, there were no such claims.

Note 34
Events after reporting date

The reporting date for these financial statements is 31 December 2012. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date when the financial statements were authorized for issue that would have had a material impact on these statements.

Note 35
Additional disclosure

35.1
Total expenses by cost classification

(Thousands of United States dollars)

	31 December 2012
Development	
Programme	4 393 363
Development effectiveness	146 972
United Nations development coordination	120 381
Management	483 993
Special purpose	43 826
Other	287 614
Elimination	(213 364)[a]
Total expenses	**5 262 785**

[a] This adjustment is required to remove the effect of internal UNDP cost recovery.

35.2
Programme expenses by executing entity/implementing partner, and responsible party

The executing entity/implementing partner is the entity that has management responsibility and accountability for project implementation and results. The executing entity/implementing partner may contract with a responsible party to implement and practically deliver outputs.

35.2 (a)
Programme expenses by executing entity/implementing partner

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
Governments	234 809	1 512 457	431 128	982	2 179 376
International NGOs	279	54 710	1 716	–	56 705
National NGOs	934	5 830	5 588	–	12 352
Food and Agricultural Organization of the United Nations	1 996	(1)	–	–	1 995
International Atomic Energy Agency	–	–	79	–	79
International Civil Aviation Organization	–	4 693	–	–	4 693
International Maritime Organization	–	–	753	–	753
International Office for Migration	–	86	–	–	86
International Telecommunication Union	–	833	–	–	833
United Nations Capital Development Fund	–	1 974	–	–	1 974
United Nations Volunteers programme	20	–	–	33 668	33 688
United Nations Educational, Scientific and Cultural Organization	–	69	77	–	146
United Nations Industrial Development Organization	–	–	243	–	243
United Nations Office for Project Services	2 529	19 408	80 822	112 810	215 569
Other United Nations entities	(101)	138	274	20	331
World Health Organization	–	–	1 029	–	1 029
World Meteorological Organization	–	33	–	–	33
World Tourism Organization	–	14	–	–	14
United Nations Development Programme	249 984	1 331 166	301 415	899	1 883 464
Total programme expenses	**490 450**	**2 931 410**	**823 124**	**148 379**	**4 393 363**

35.2 (b)
Programme expenses by responsible party

"Responsible party" refers to the party responsible for contractual implementation and practical delivery of outputs.

(Thousands of United States dollars)

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
Governments	224 403	1 583 191	462 385	1 012	2 270 991
International NGOs	732	68 720	1 927	–	71 379
National NGOs	1 280	58 540	2 664	–	62 484
Economic and Social Commission for Asia and the Pacific	128	–	–	–	128

	Regular resources	*Cost-sharing*	*Trust funds*	*Reimbursable support services and miscellaneous activities*	*Total*
Economic and Social Commission for Western Asia	–	–	303	–	303
Food and Agriculture Organization of the United Nations	2 119	785	82	–	2 986
International Atomic Energy Agency	–	–	79	–	79
International Civil Aviation Organization	–	4 683	–	–	4 683
International Labour Organization	–	2 220	1 668	–	3 888
International Maritime Organization	–	–	753	–	753
International Office for Migration	182	10 555	593	–	11 330
International Trade Centre	–	(17)	629	–	612
International Telecommunication Union	–	829	–	–	829
Joint United Nations Programme on HIV/AIDS	–	742	–	–	742
United Nations Capital Development Fund	2 071	–	–	–	2 071
United Nations Human Settlements Programme (UN-Habitat)	259	11 748	549		12 556
United Nations Conference on Trade and Development	199	–	5	–	204
United Nations Department of Economic and Social Affairs	194	742	–	–	936
United Nations Volunteers programme	18	(2)	–	33 319	33 335
United Nations Environment Programme	–	–	146	–	146
United Nations Educational, Scientific and Cultural Organization	–	338	705	–	1 043
United Nations Population Fund	350	4 098	368	–	4 816
United Nations Children's Fund	–	4 437	–	–	4 437
United Nations Industrial Development Organization	260	662	169	–	1 091
United Nations Entity for Gender Equality and the Empowerment of Women	–	508	342	–	850
United Nations Institute for Training and Research	181	120	341	–	642
United Nations Office on Drugs and Crime	–	229	–	–	229
United Nations Office for Project Services	9 276	32 065	95 823	112 970	250 134
Other United Nations entities	(114)	158	–	–	44
World Food Programme	–	2 411	–	–	2 411
World Health Organization	–	7 900	2 285	–	10 185
World Meteorological Organization	–	33	–	–	33
World Tourism Organization	76	17	–	–	93
United Nations Development Programme	248 836	1 135 698	251 308	1 078	1 636 920
Total programme expenses	**490 450**	**2 931 410**	**823 124**	**148 379**	**4 393 363**

35.3
Programme expenses by geographical region

(Thousands of United States dollars)

	Africa	*Arab States*	*Asia and the Pacific*	*Europe and Commonwealth of Independent States*	*Latin America and the Caribbean*	*Global and others*	*Total*
Expenses							
Contractual services	333 336	214 064	781 586	177 281	484 084	131 597	2 121 948
Staff costs	74 573	32 896	47 357	16 112	29 272	84 056	284 266
Supplies and consumables used	211 515	75 133	56 311	68 651	192 383	76 069	680 062
General operating expenses	247 612	93 611	167 643	67 154	200 198	82 582	858 800
Grants and other transfers	97 416	67 009	82 916	18 311	40 143	57 716	363 511
Other expenses	22 722	12 188	11 094	5 149	19 671	8 828	79 652
Depreciation and amortization	651	476	147	214	442	120	2 050
Finance costs	1 460	770	88	353	274	129	3 074
Total	**989 285**	**496 147**	**1 147 142**	**353 225**	**966 467**	**441 097**	**4 393 363**

35.4
Reimbursable support services and miscellaneous activities

35.4 (a)
Statement of financial position

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	*Total*
Assets								
Current assets								
Cash and cash equivalents	122 258	24 917	17 203	13 439	3 416	396	2 862	184 491
Investments	250 063	50 968	35 188	27 472	6 792	810	5 854	377 147
Receivables — non-exchange transactions	71	–	537	577	4 159	–	–	5 344
Receivables — exchange transactions net	2 772	–	3 404	11	–	1	–	6 188
Advances issued, net	870	–	76	164	287	–	–	1 397
Inventories	1 105	–	3	24	–	–	–	1 132
Other current assets, net	3	–	–	–	–	–	–	3
Total current assets	**377 142**	**75 885**	**56 411**	**41 687**	**14 654**	**1 207**	**8 716**	**575 702**
Non-current assets								
Investments	337 487	68 800	47 499	37 150	9 169	1 094	7 902	509 101
Loans to Governments	–	–	–	–	–	13 458	–	13 458
Property, plant and equipment	25 599	–	564	5 991	4	11 265	–	43 423
Intangible assets	2 781	–	8	–	–	–	–	2 789
Total non-current assets	**365 867**	**68 800**	**48 071**	**43 141**	**9 173**	**25 817**	**7 902**	**568 771**
Total assets	**743 009**	**144 685**	**104 482**	**84 828**	**23 827**	**27 024**	**16 618**	**1 144 473**

35.4 (a)
Statement of financial position (*continued*)

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Government cash counterparts contributions*	*Total*
Liabilities								
Current liabilities								
Accounts payable and accrued liabilities	13 828	4 669	7 447	300	59	21	–	26 324
Advances payable	299	–	–	74	18	–	–	391
Funds held on behalf of donors	–	–	–	–	–	–	–	–
Employee benefits	43 006	–	195	63	352	–	–	43 616
Other current liabilities	4 013	–	–	782	254	–	–	5 049
Total current liabilities	**61 146**	**4 669**	**7 642**	**1 219**	**683**	**21**	**–**	**75 380**
Non-current liabilities								
Employee benefits	403 177	–	–	–	–	–	–	403 177
Other non-current liabilities	4 464	–	–	–	–	–	–	4 464
Total non-current liabilities	**407 641**	**–**	**–**	**–**	**–**	**–**	**–**	**407 641**
Total liabilities	**468 787**	**4 669**	**7 642**	**1 219**	**683**	**21**	**–**	**483 021**
Net assets/equity								
Reserves	118 969	–	–	–	–	25 000	–	143 969
Accumulated surpluses/(deficits)	155 253	140 016	96 840	83 609	23 144	2 003	16 618	517 483
Total net assets/equity	**274 222**	**140 016**	**96 840**	**83 609**	**23 144**	**27 003**	**16 618**	**661 452**
Total liabilities and net assets/equity	**743 009**	**144 685**	**104 482**	**84 828**	**23 827**	**27 024**	**16 618**	**1 144 473**

35.4 (b)
Statement of financial performance

(Thousands of United States dollars)

	Reimbursable support services	*Management service agreements*	*United Nations Volunteers programme*	*Special activities*	*Junior Professional Officers programme*	*Reserve for field accommodation*	*Total*
Revenue							
Voluntary contributions, net	31 049	44 468	20 325	65 546	23 960	–	185 348
Revenue — exchange transactions	82 284	–	24 207	90 162	–	664	197 317
Investment revenue	6 794	1 959	745	106	7	–	9 611
Other revenue	215 262	330	14 523	8 762	–	2	238 879
Total revenue	**335 389**	**46 757**	**59 800**	**164 576**	**23 967**	**666**	**631 155**
Expenses							
Contractual services	26 894	41 110	18 833	14 183	–	84	101 104
Staff costs	218 780	4	11 464	92 882	18 978	16	342 124
Supplies and consumables used	11 198	66 469	395	3 363	–	201	81 626
General operating expenses	66 462	4 816	13 869	26 569	4 320	73	116 109
Grants and other transfers	177	–	281	1 233	2	5	1 698
Other expenses	1 764	357	355	1 807	1	4	4 288
Depreciation and amortization	6 961	–	194	346	1	285	7 787
Finance costs	165	11	8	54	8	–	246
Total expenses	**332 401**	**112 767**	**45 399**	**140 437**	**23 310**	**668**	**654 982**
Surplus/(deficit) for the year	**2 988**	**(66 010)**	**14 401**	**24 139**	**657**	**(2)**	**(23 827)**

35.5
Cost-sharing — Government and third-party cost-sharing — statement of financial performance

(Thousands of United States dollars)

	Third-party cost-sharing	*Government cost-sharing*	*Total*
Revenue			
Voluntary contributions, net	2 032 941	826 530	2 859 471
Revenue — exchange transactions	47	273	320
Investment revenue	8 828	20 359	29 187
Other revenue	3 661	1 701	5 362
Total revenue	**2 045 477**	**848 863**	**2 894 340**
Expenses			
Contractual services	857 281	542 852	1 400 133
Staff costs	110 046	13 333	123 379
Supplies and consumables used	340 797	176 364	517 161
General operating expenses	433 303	151 155	584 458
Grants and other transfers	227 119	26 236	253 355
Other expenses	30 285	19 059	49 344
Depreciation and amortization	1 136	65	1 201
Finance costs	2 138	241	2 379
Total expenses	**2 002 105**	**929 305**	**2 931 410**
Surplus/(deficit) for the year	**43 372**	**(80 442)**	**(37 070)**
Net assets/equity			
Closing accumulated surpluses as at 31 December 2011	1 605 765	784 590	2 390 355
IPSAS adjustments	194 143	8 665	202 808
Opening net assets/equity as at 1 January 2012 (IPSAS restated)	1 799 908	793 255	2 593 163
Closing net assets/equity as at 31 December 2012	**1 843 280**	**712 813**	**2 556 093**

35.6 (a)
Top 10 Trust Funds — statement of financial position

(Thousands of United States dollars)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*UNDP/SIDA Trust Fund for Assistance to UNDP-specific Activities*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Assets					
Current assets					
Cash and cash equivalents	7 972	33 121	2 249	52 664	13 805
Investments	16 307	67 749	4 601	107 694	28 238
Receivables — non-exchange transactions	1 241	–	–	–	22 008
Receivables — exchange transactions net	–	–	–	110	–
Advances issued, net	4 188	86 629	192	13 492	204
Inventories	–	–	–	49	–
Other current assets, net	–	–	4	–	–
Total current assets	**29 708**	**187 499**	**7 046**	**174 009**	**64 255**
Non-current assets					
Investments	22 013	91 454	6 210	145 374	38 118
Property, plant and equipment	119	35	–	673	532
Total non-current assets	**22 132**	**91 489**	**6 210**	**146 047**	**38 650**
Total assets	**51 840**	**278 988**	**13 256**	**320 056**	**102 905**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	279	32	193	5 249	1 608
Advances payable	–	–	832	1 524	–
Funds held on behalf of donors	–	–	8 409	79	–
Employee benefits	–	–	16	12	22
Other current liabilities	24	–	–	263	–
Total current liabilities	**303**	**32**	**9 450**	**7 127**	**1 630**
Total liabilities	**303**	**32**	**9 450**	**7 127**	**1 630**
Net assets/equity					
Reserves	3 000	–	–	–	–
Accumulated surpluses	48 537	278 956	3 806	312 929	101 275
Total net assets/equity	**51 537**	**278 956**	**3 806**	**312 929**	**101 275**
Total liabilities and net assets/equity	**51 840**	**278 988**	**13 256**	**320 056**	**102 905**

Abbreviations: SIDA, Swedish International Development Corporation.

35.6 (a)
Top 10 Trust Funds — statement of financial position (*continued*)

(Thousands of United States dollars)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Trust Fund for Support to Iraq Reconstruction*	*Trust Fund for Innovative Partnerships*
Assets					
Current assets					
Cash and cash equivalents	4 736	18 393	1 884	1 868	2 903
Investments	9 674	37 627	3 855	3 807	5 937
Receivables — non-exchange transactions	153	5 952	–	–	252
Receivables — exchange transactions, net	–	27	–	–	–
Advances issued, net	236	6 044	24	1 285	221
Inventories	6	398	–	–	–
Other current assets, net	–	1	–	–	–
Total current assets	**14 805**	**68 442**	**5 763**	**6 960**	**9 313**
Non-current assets					
Investments	13 060	50 790	5 203	5 138	8 014
Property, plant and equipment	74	247	–	45	33
Total non-current assets	**13 134**	**51 037**	**5 203**	**5 183**	**8 047**
Total assets	**27 939**	**119 479**	**10 966**	**12 143**	**17 360**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	316	792	–	1 303	25
Advances payable	175	2 943	–	–	–
Funds held on behalf of donors	–	5 394	–	–	–
Employee benefits	–	–	–	–	–
Other current liabilities	6	102	–	–	–
Total current liabilities	**497**	**9 231**	**–**	**1 303**	**25**
Total liabilities	**497**	**9 231**	**–**	**1 303**	**25**
Net assets/equity					
Reserves	–	–	–	–	–
Accumulated surpluses	27 442	110 248	10 966	10 840	17 335
Total net assets/equity	**27 442**	**110 248**	**10 966**	**10 840**	**17 335**
Total liabilities and net assets/equity	**27 939**	**119 479**	**10 966**	**12 143**	**17 360**

35.6 (b)
Top 10 Trust Funds — statement of financial performance

(Thousands of United States dollars)

	Programme of Assistance to the Palestinian People	*Law and Order Trust Fund for Afghanistan*	*UNDP/SIDA Trust Fund for Assistance to UNDP-specific Activities*	*Global Environment Facility*	*Multilateral Fund for the Implementation of the Montreal Protocol*
Revenue					
Voluntary contributions, net	19 400	257 240	(2 540)	352 392	36 437
Revenue — exchange transactions	–	–	–	–	–
Investment revenue	652	4 811	–	3 438	1 185
Other revenue	40	–	9	115	1 269
Total revenue	**20 092**	**262 051**	**(2 531)**	**355 945**	**38 891**
Expenses					
Contractual services	19 905	205 070	4 578	134 096	9 482
Staff costs	519	1 226	262	24 833	2 192
Supplies and consumables used	5 393	431	751	21 559	5 206
General operating expenses	4 914	11 678	4 633	52 897	4 713
Grants and other transfers	2 931	–	12	50 951	14 232
Other expenses	518	1	283	9 360	303
Depreciation and amortization	19	4	–	129	22
Finance costs	–	–	7	41	4
Total expenses	**34 199**	**218 410**	**10 526**	**293 866**	**36 154**
Surplus/(deficit) for the year	**(14 107)**	**43 641**	**(13 057)**	**62 079**	**2 737**

35. 6 (b)
Top 10 Trust Funds — statement of financial performance (*continued*)

(Thousands of United States dollars)

	UNDP Thematic Trust Fund for Democratic Governance	*UNDP Thematic Trust Fund for Crisis Prevention and Recovery*	*International Commission against Impunity in Guatemala*	*UNDP Trust Fund for Support to Iraq Reconstruction*	*Trust Fund for Innovative Partnerships*
Revenue					
Voluntary contributions, net	11 385	70 328	16 691	1 618	713
Revenue — exchange transactions	8	–	–	–	–
Investment revenue	453	1 030	141	88	247
Other revenue	2	122	–	104	18
Total revenue	**11 848**	**71 480**	**16 832**	**1 810**	**978**
Expenses					
Contractual services	9 690	28 988	38	13 501	3 262
Staff costs	6 119	20 936	9 810	3 254	2 957
Supplies and consumables used	779	9 173	417	545	410
General operating expenses	12 119	22 772	1 862	6 644	2 673
Grants and other transfers	980	11 027	–	4 223	407
Other expenses	981	1 165	35	94	35
Depreciation and amortization	31	33	–	9	99
Finance costs	6	67	1	7	1
Total expenses	**30 705**	**94 161**	**12 163**	**28 277**	**9 844**
Surplus/(deficit) for the year	**(18 857)**	**(22 681)**	**4 669**	**(26 467)**	**(8 866)**

35.7
All trust funds established by UNDP — schedule of financial performance

(Thousands of United States dollars)

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
Fund Manager: UNDP Africa				
African Peer Review Mechanism of the New Partnership for Africa's Development	2 006	25	(62)	1 969
African Training and Management Services Project	3	(3)	–	–
Appui au processus désarmement, démobilisation et réintégration en Côte d'Ivoire — equipment et fonctionnement des sites et appui à la communication — désarmement, démobilisation et réintégration	69	–	–	69
Belgium Trust Fund for Support to the Elections Project in the Democratic Republic of the Congo	5 506	60	(1 251)	4 315
Belgium Trust Fund for Trade Capacity Development for Poverty Reduction and Human Development for Sub-Saharan Africa	706	–	(310)	396
Canadian International Development Agency/UNDP Trust Fund to Support "Recensement général de la population et de l'habitat" in Sénégal	35	(1)	–	34
Comoros transitional arrangement	–	105	–	105
European Commission — Joint Donor Basket Fund to Support Nigeria's 2007 Elections	3 714	–	(1 152)	2 562
European Commission Trust Fund for Supporting the participation of African, Caribbean and Pacific small island developing States at the Barbados+10 United Nations International Meeting in Mauritius for the Sustainable Development of small island developing States	3	(3)	–	–
European Economic Commission (EEC) — Angola Trust Fund for Implementation of the Ottawa Convention through the disposal of stockpiled anti-personnel landmines	–	–	1	1
EEC — Republic of Congo Trust Fund for the project "Collecte et déstruction des armes pour le développement"	13	–	–	13
EEC — Eritrea Trust Fund for Support to the Mine Action Capacity-building Programme	632	–	(308)	324
EEC Trust Fund — Appui a la mise en place des centres de brassage dans le cadre de la reforme du secteur sécuritaire en République democratique du Congo	3	–	–	3
EEC Trust Fund — Appui a la sécurisation des élections en République démocratique du Congo	–	(387)	–	(387)
EEC Trust Fund — pour Programme d'Appui a la bonne gouvernance au Tchad	64	974	–	1 038
EEC Trust Fund for "Project CHOC Cameroun: Change Habits-Oppose Corruption"	11	–	–	11
EEC Trust Fund for "Réhabilitation des pistes rurales suivant la méthode haute intensité de main d'œuvre en République du Congo"	(533)	–	–	(533)
EEC Trust Fund for 2005 Census Support Initiatives in Nigeria	178	290	–	468
EEC Trust Fund for "Appui aux élections législatives 2007, Phase 1"	141	–	–	141

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
EEC Trust Fund for "Appui institutionnel au CNIDAH, au niveau national et provincial"	261	–	–	261
EEC Trust Fund for Assistance to Electoral Process in the Democratic Republic of the Congo	355	–	–	355
EEC Trust Fund for Building Strong, Efficient and Capable National Arms Commissions in the ECOWAS subregion	(74)	–	–	(74)
EEC Trust Fund for Capacity Development Component of the Parliamentary Reform, Programme III	198	–	(6)	192
EEC Trust Fund for capacity support for sustainable management of energy resources with ECOWAS and UEMOA	62	–	(23)	39
EEC Trust Fund for "Développement de l'information minière de base"	4	(4)	–	–
EEC Trust Fund for enhancing knowledge management in disaster preparedness and risk reduction within south-east Africa and south-west Indian Ocean, Comoros, Madagascar, Malawi and Mozambique	32	–	–	32
EEC Trust Fund for Ethiopia Landmine Impact Survey	(16)	16	–	–
EEC Trust Fund for Mine Action in the Tigray and Afar Regions of Ethiopia	21	–	–	21
EEC Trust Fund for Mozambique Landmine Technical Survey: Inhambane and Maputo Provinces	37	–	(34)	3
EEC Trust Fund for "Organisation de l'atelier de démarrages du programme réhabilitation et développement en Guinée forestière"	7	–	–	7
EEC Trust Fund for Preparatory Assistance to the Electoral Cycle 2007-2011 in Zambia	38	(38)	–	–
EEC Trust Fund for Review of the Constitution of the Republic of Malawi	253	(53)	(200)	–
EEC Trust Fund for Seychelles Capacity-Building of State and Non-State Actors in the Seychelles	152	246	(149)	249
EEC Trust Fund for Support for the Strengthening of the Rule of Law through Enhanced Capacity of Stakeholders in Zimbabwe	438	(438)	–	–
EEC Trust Fund for Support to Deepening Democracy in the United Republic of Tanzania	298	–	–	298
EEC Trust Fund for Support to Election Observation in the United Republic of Tanzania	1	–	–	1
EEC Trust Fund for Support to Electoral Management Bodies in Sierra Leone	72	(72)	–	–
EEC Trust Fund for Support to Electoral Process in Burundi	8	(8)	–	–
EEC Trust Fund for Support to Electoral Process in the Democratic Republic of the Congo	1	(1)	–	–
EEC Trust Fund to Support the return/resettlement of internally displaced persons/expellees — health facility in Eritrea	–	35	(13)	22
EEC Trust Fund for Support to Legislative and Presidential Elections in Niger	212	(211)	–	1
EEC Trust Fund for Support to Swaziland Gender Programme	(1)	185	(185)	(1)
EEC Trust Fund for Support to the Election Observation Mission to Nigeria in April 2007	214	–	–	214

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
EEC Trust Fund for support to the implementation of the integrated drylands development programme	300	373	(275)	398
EEC Trust Fund for Support to the National Civic Education Programme, Phase II	1	–	–	1
EEC Trust Fund for Support to the National Institute of Statistics of Rwanda	2	–	(1)	1
EEC Trust Fund for Support to the Observation of the Election Process in Côte d'Ivoire	648	(249)	(1)	398
EEC Trust Fund for Support to the Organization of the October 2005 National Elections in Liberia	1	–	–	1
EEC Trust Fund for Support to the project d'appui au cycle electoral en Guinee-Bissau, 2008-2010	7	–	(7)	–
EEC Trust Fund for Support to the Sustainable Development Poverty Reduction Programme in Ethiopia	2	–	–	2
EEC Trust Fund for Supporting Citizen Access to Justice in Mozambique	275	–	(389)	(114)
EEC Trust Fund for the Legal Advisory Unit in the Office of the United Nations Resident Coordinator in Zimbabwe	104	(104)	–	–
EEC Trust Fund for Transfer of Knowledge through Expatriate Nationals in Mali	73	–	(179)	(106)
EEC Trust Fund to support the resettlement of internally displaced persons/expellees (food security) in Eritrea	14	–	(31)	(17)
EEC Trust Fund pour "Appui au processus électoral en Mauritanie"	73	–	(18)	55
EEC Trust Fund to support 2007 Elections Assistance Programme/Domestic Observation/Kenyan Domestic Observer	3	(3)	–	–
EEC Trust Fund to support "Assessoria technica para a consolidacão das capacidades da CNIDAH", Angola	68	(68)	(41)	(41)
EEC Trust Fund to support Central Bank of Kenya Decision Capacity Development Project	56	(17)	(24)	15
EEC Trust Fund to support shared funding for the joint governance assessment for Rwanda	27	–	(21)	6
EEC Trust Fund to Support the Civil Society Index	14	–	–	14
EEC Trust Fund to Support the Electoral Process in Côte d'Ivoire	(249)	249	–	–
EEC Trust Fund to support the International Colloquium on Women's Empowerment, Leadership Development, International Peace and Security and the follow-up in Liberia	1	–	–	1
EEC Trust Fund to Support the "Programme d'appui à la stratégie nationale de lutte antimine: appui au démarrage de Centre de Lutte contre les Mines en Casamance	16	–	–	16
EEC/ECHO Trust Fund for Support to the Relief and Recovery Unit Relief Information and Verification Activities in Zimbabwe	15	(15)	–	–
EEC/Seychelles Trust Fund for Post-Tsunami Rehabilitation Efforts	1	–	–	1
EEC — Comoros Trust Fund — Appui à la mise en oeuvre de l'accord sur les dispositions transitoires	33	–	(300)	(267)

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
European Union Election Observation Mission to Liberia	2	–	–	2
Extension of the Eritrean Landmine Impact Survey	74	–	–	74
Finland Trust Fund for National Technical Cooperation Assessment and Programme Activities	900	10	(415)	495
Fonds fiduciaire du PNUD concernant l'organisation pour l'harmonisation en Afrique du droit des affaires	1 771	(1 605)	94	260
Humanitarian Information Coordination — Zimbabwe	4	–	–	4
Fourth Summit of African, Caribbean and Pacific Heads of State and Government — Mozambique	1	–	(1)	–
Justice and Security Trust Fund for Liberia	3 994	3 249	(3 552)	3 691
Support for Capacity-building to the National Demining Institute in Mozambique	398	(15)	(324)	59
Support to Burundi elections process	236	4	–	240
Support to the Malawi tripartite elections — 2004	494	(5)	–	489
Support to the Office of the Humanitarian Coordinator's Humanitarian Support Team — Zimbabwe	41	(41)	–	–
Support to the organization of municipal elections in Niger	1	1	–	2
Trust Fund for Special Netherlands Contribution for the Least Developed Countries	13	(13)	–	–
Trust Fund for the 2006 Burundi Emergency Programme	1 165	38	–	1 203
Trust Fund with Norway for Support for Governance in Africa	2 527	24	(1 411)	1 140
UNDP Trust Fund for "Appui au processus électoral en Guinée"	100	(98)	(67)	(65)
UNDP Trust Fund for Angola	133	(1)	(45)	87
UNDP Trust Fund for Assistance to Refugee-Related Development Projects in Africa	659	5	(397)	267
UNDP Trust Fund for Community Assistance and Sustainable Reinstallation in Burundi	752	(123)	–	629
UNDP Trust Fund for Demobilization, Reintegration, Rehabilitation and Recovery in Sierra Leone	–	1	–	1
UNDP Trust Fund for Namibia	29	–	–	29
UNDP Trust Fund for Receipt of Payments by Users of the African Project Development Facility	1	–	–	1
UNDP Trust Fund for Rwanda	622	(35)	(530)	57
UNDP Trust Fund for Specific Projects and Programmes for the Organization for the Harmonization of Business Law in Africa	5	(5)	–	–
UNDP Trust Fund for Support to the Reform Agenda in Nigeria	1 935	24	–	1 959
UNDP Trust Fund for Support to the United Nations Country Team's Humanitarian Assistance and Recovery Programme in Zimbabwe	1 190	(1 181)	–	9
UNDP Trust Fund for the African 2000 Network	3	(3)	–	–
UNDP Trust Fund for the Mozambique Mine Clearance Programme	355	3	(108)	250
UNDP Trust Fund for the United Nations Educational and Training Programme for Southern Africa	4 535	73	(1 983)	2 625

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
UNDP Trust Fund to Combat Poverty and Hunger in Africa	1 703	20	(138)	1 585
UNDP Trust Fund to Support the Peace Process in North Mali	39	(39)	–	–
UNDP/Belgium Trust Fund for Support to the Electoral Process in South Africa	45	–	–	45
UNDP/EEC Trust Fund Agreement for the Africa 2000 Network Programme: grants in Burkina Faso, Cameroon and Uganda	1	–	–	1
UNDP/IDA Trust Fund for the National Environment Support Programme in Mozambique	24	–	–	24
UNDP/Norway Trust Fund for Assistance to the Electoral Process in Mozambique	807	–	–	807
Total Fund Manager: UNDP Africa	**41 168**	**1 171**	**(13 856)**	**28 483**
Fund Manager: UNDP Arab States				
Arab Human Development Report	53	(1)	(3)	49
ECHO Trust Fund for Improvement of the Health and Sanitary Conditions in Mosul Centre for the Elderly	25	(25)	–	–
EC-UNDP Joint Electoral Assistance project in Yemen	802	–	(546)	256
EEC (ECHO) Trust Fund for Enhanced United Nations Security Operations in Support of Humanitarian Aid Efforts in the Sudan	4	(4)	–	–
EEC (ECHO) Trust Fund for Security Operations for Operation Lifeline Sudan, northern sector, in the Sudan	1	(1)	–	–
EEC (European Development Fund)/Somalia Trust Fund Proposed Feasibility Study on Financial Services	62	(62)	–	–
EEC Trust Fund for Financial Sector Development Project in Somalia	250	(250)	–	–
EEC Trust Fund for Human Rights Capacity-Building Project in Egypt	1	–	–	1
EEC Trust Fund for Integrated support for decentralization in Albania	3 314	790	(4 663)	(559)
EEC Trust Fund for Iraq — Support to the Law and Justice	6 191	(5 003)	(907)	281
EEC Trust Fund for Local Government and Country Recovery in South Sudan	3	(3)	–	–
EEC Trust Fund for Mobilizing Palestinian Civil Society during Elections via UNDP/PAPP	5	–	–	5
EEC Trust Fund for the Programme of Assistance to the Palestinian People (PAPP) — Silwan Community Development through the establishment of the Europe House	37	(38)	–	(1)
EEC Trust Fund for PAPP Governance Strategy Group Coordinator	953	(40)	(1 123)	(210)
EEC Trust Fund for Projet d'appui a la décentralisation et aux collectivités locales	260	4	(193)	71
EEC Trust Fund for Providing Operational and Logistical Support to the Office of the Quartet Representative	17	159	(176)	–
EEC Trust Fund for Rehabilitation of Sanitation Services in Baghdad, Iraq	386	(386)	–	–

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
EEC Trust Fund for Somali Support Secretariat	(246)	124	–	(122)
EEC Trust Fund for Somalia — Support for Rule of Law and Security in Somalia	921	–	(745)	176
EEC Trust Fund for Somalia African Union/United Nations Strategic Demilitarization Planning Unit	269	(269)	–	–
EEC Trust Fund for Somalia Emergency Budgetary Support Project	23	(23)	–	–
EEC Trust Fund for Somalia Joint Needs Assessment	2	(2)	–	–
EEC Trust Fund for Strengthening Access to Justice and Confidence-Building in Kassala State and Khartoum State, Sudan	56	(56)	–	–
EEC Trust Fund for Sudan — Capacity Development for Good Aid Management	4	–	(197)	(193)
EEC Trust Fund for Sudan — Promotion of Equality, Tolerance and Peace through the Dissemination of the Comprehensive Peace Agreement and of the Transitional Legal Framework in Southern Sudan	36	–	–	36
EEC Trust Fund for support to human security in eastern Sudan	191	–	–	191
EEC Trust Fund for the Somalia Institutional Support Project	245	(245)	–	–
EEC Trust Fund in Yemen for Support to Eliminate the Impact from Mines and Explosive Remnants of War, Phase III	91	3	(94)	–
EEC Trust Fund in support of Capacity-Building for the Lebanon Mine Action Centre	(6)	–	6	–
EEC/Somalia Trust Fund for Mine Action Capacity-Building and Landmine Impact Survey	160	(160)	–	–
EEC/Sudan Trust Fund for Post-Conflict Community-based Recovery and Rehabilitation Programme	336	2 455	(761)	2 030
Emergency procurement of security and protection equipment, materials and services — Iraq	22	(22)	–	–
ICT Trust Fund for Egypt	1 999	1 018	(633)	2 384
Promoting the rights of women and children through information (Tunisia, Lebanon, Egypt)	1	–	–	1
Support to Iraq reconstruction	37 307	1 810	(28 277)	10 840
Trust Fund for Poverty Alleviation in the Arab Region	129	1	(23)	107
Trust Fund for Support of Programme Activities in the Iraq Elections	101	–	–	101
UNDP Fund for the Programme of Assistance to the Palestinian People	65 644	20 092	(34 199)	51 537
UNDP Trust Fund for Somalia	1 561	19	(11)	1 569
UNDP Trust Fund for the Iraq Programme	290	(289)	–	1
Total Fund Manager: UNDP Arab States	**121 500**	**19 596**	**(72 545)**	**68 551**
Fund Manager: UNDP Asia/Pacific				
Australian Development Assistance Bureau/UNDP Programme Trust Fund	151	1	(56)	96

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
Belgium Trust Fund for National Area-based Development Programme in Afghanistan — Project Cofinancing	81	(81)	–	–
Belgium Trust Fund for Support of the Judicial Capacity for East Timor	1	(1)	–	–
Belgium/Philippines Trust Fund for Vocational Skills Training and Enterprise Development for MNLF Soldiers, their Families and Communities	3	(3)	–	–
Building Information Management Capacity in Afghanistan	71	–	–	71
Cambodia Climate Change Alliance Trust Fund	912	1 815	(965)	1 762
ECHO Trust Fund for Disaster Risk Reduction at the National Level in Nepal	1	(1)	–	–
EEC — Counter-narcotics Trust Fund in Afghanistan	131	(85)	(46)	–
EEC — Quick Recovery Project in Northeast Sri Lanka	2	(2)	–	–
EEC Trust Fund for Bangladesh — Support to Bangladesh Disaster Preparedness	800	(866)	66	–
EEC Trust Fund for Capacity Strengthening Component of Rural Employment Opportunities for Public Assets	38	57	(13)	82
EEC Trust Fund for Chittagong Hill Tracts Development Facility in Bangladesh	159	(159)	–	–
EEC Trust Fund for Community-based Livelihoods Recovery Programme for Earthquake-affected Areas of AJK and NWFP	134	–	–	134
EEC Trust Fund for Disaster Risk Management Institutional Systems Development in Timor-Leste	1	–	–	1
EEC Trust Fund for Emergency Response and Recovery for the Tsunami-affected people of Maldives	3	–	5	8
EEC Trust Fund for Governance for Equitable Development: Strengthening Rule of Law and Civil Society Participation in China	446	244	(642)	48
EEC Trust Fund for the Lao People's Democratic Republic — Enhancing the Contribution of International Law to the Strengthening of the Rule of Law in the Lao People's Democratic Republic	4	–	–	4
EEC Trust Fund for the Lao People's Democratic Republic — Saravane Governance, Public Administration Reform and Decentralized Service Delivery Project	7	–	–	7
EEC Trust Fund for Livelihood Development in the North and East, Sri Lanka	121	(121)	–	–
EEC Trust Fund for Local Government Support Project — Learning and Innovation Component	(13)	–	3	(10)
EEC Trust Fund for mainstreaming Disaster Risk Management in Subnational/Local Development and Land Use Planning in the Philippines	7	–	–	7
EEC Trust Fund for Preparedness and Response Capacity-Building in Afghanistan (second phase)	70	–	–	70
EEC Trust Fund for Promotion of Development and Confidence-Building in Chittagong Hills Tracts	5	222	(246)	(19)
EEC Trust Fund for Strengthening Democratic and Decentralised Local Governance in Cambodia	(1 334)	1 184	150	–

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
EEC Trust Fund for Strengthening the Capacity of the National Assembly and Supporting the Lao People's Democratic Republic in the International Criminal Court	58	(8)	(60)	(10)
EEC Trust Fund for support to durable solutions to the protracted refugees situation along the Thai/Myanmar border	345	–	(24)	321
EEC Trust Fund for Support to the Post-Nargis Joint Assessment after the cyclone Nargis in Myanmar	86	(71)	(15)	–
EEC Trust Fund for Support to the Aceh Reintegration Agency and Peace Building in Aceh	38	(38)	–	–
EEC Trust Fund for Support to the Restoration of Tsunami-affected Livelihoods — Maldives	35	–	–	35
EEC Trust Fund for support to the Timorese Electoral Cycle	2	(2)	–	–
EEC Trust Fund in Support of the Afghanistan Subnational Governance Programme	707	–	(671)	36
EEC Trust Fund Support to Capacity-strengthening Component of Rural Employment Opportunities for Public Assets	32	–	–	32
EEC Trust Fund Support to Improving Health, Nutrition and Population in the Chittagong Hill Tracts	345	882	(923)	304
EEC Trust Fund to Support the National Initiative for Civic Education	17	–	–	17
EEC Trust Fund to Support Disaster Risk Reduction at the National Level in Nepal, phase II	7	–	–	7
EEC Trust Fund to Support Pacific Financial Inclusion Programme	(7)	–	7	–
EEC Trust Fund to Support the Provincial Governance Strengthening Programme in Solomon Islands	81	1 718	(614)	1 185
EEC Trust Fund to support security sector review in Timor-Leste capacity development facility	188	–	(107)	81
EEC Trust Fund to Support Strengthening Response to Internal Displacement in Mindanao	56	(53)	–	3
EEC Trust Fund to support the justice system — Activating village courts in Bangladesh	1 293	3 952	(2 661)	2 584
EEC/European Union Trust Fund for China Biodiversity Programme	4 811	–	(56)	4 755
EU-India Disaster Preparedness Programme	–	(348)	348	–
Law and Order Trust Fund for Afghanistan	235 315	262 051	(218 410)	278 956
Rehabilitation and Community Development in Rural Areas of East Timor	(137)	139	(86)	(84)
Trust Fund for the Support to the Full Implementation of the Convention on Cluster Munitions in the Lao People's Democratic Republic within the Framework of the Vientiane Declaration on Aid Effectiveness	5 856	4 863	(5 459)	5 260
UNDP Counter Narcotics Trust Fund for the Islamic Republic of Afghanistan	10 388	(1 918)	(94)	8 376
UNDP Trust Fund for Support to Indonesia's Response to Climate Change	5 918	68	(796)	5 190
UNDP Trust Fund for Peace and Development Initiative in Nepal	34	–	–	34
UNDP Trust Fund for Support to the 2004 Elections in Indonesia	290	–	–	290

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
UNDP Trust Fund for the Indonesian Community Recovery Programme	26	–	–	26
UNDP Trust Fund to Support Capacity Building for Governance Reform in Indonesia	447	–	–	447
UNDP/Lao People's Democratic Republic Trust Fund for Clearance of Unexploded Ordnance	49	1	(4)	46
UNDP/Republic of Korea Trust Fund	331	(247)	–	84
UNDP/Republic of Korea Trust Fund in Support of the Tumen River Area Development Programme	921	(9)	(331)	581
Total Fund Manager: UNDP Asia/Pacific	**269 333**	**273 184**	**(231 700)**	**310 817**
Fund Manager: UNDP Bureau for Crisis Prevention and Recovery				
EC/UNDP Collaboration to advance the post-crisis needs assessment and early recovery agendas I	34	–	–	34
EC/UNDP Collaboration to advance the post-crisis needs assessment and early recovery agendas II	79	–	(45)	34
UNDP Thematic Trust Fund for Crisis Prevention and Recovery	132 929	71 480	(94 161)	110 248
UNDP Trust Fund for Crisis Post-conflict and Recovery Situations	406	–	–	406
UNDP Trust Fund for Support to Capacity Development for Reform	1 032	13	–	1 045
UNDP Trust Fund for Sustainable Social Development, Peace and Support to Countries in Special Situations	2 523	(145)	–	2 378
Total Fund Manager: UNDP Bureau for Crisis Prevention and Recovery	**137 003**	**71 348**	**(94 206)**	**114 145**
Fund Manager: UNDP Bureau of Development Policy				
Capacity 2015 Trust Fund	196	(48)	6	154
Capacity 21 Trust Fund	54	(40)	–	14
EEC — Improving market access for drylands commodities	1	(1)	–	–
EEC Trust Fund for Bureau of Development Policy-EEG — Capacity Building for Integrated Water Management in Africa and the Caribbean	227	(227)	–	–
EEC Trust Fund for Joint Migration and Development Initiative	1 294	47	(1 594)	(253)
EEC Trust Fund for Study on the development of governance indicators in developing countries	(3)	18	(18)	(3)
EEC Trust Fund for the Administration and Cost of Elections Practitioners' Network	1	–	–	1
Germany Trust Fund for UNDP Programme for Accountability and Transparency	241	(171)	–	70
Global Capacity Development Facility	586	140	(166)	560
Integrated Framework Trust Fund for Trade-related Technical Assistance to Least Developed Countries, window 1	327	(318)	–	9

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
Integrated Framework Trust Fund for Trade-related Technical Assistance to Least Developed Countries, window 2	789	(737)	(5)	47
Multilateral Fund for the Implementation of the Montreal Protocol	98 538	38 891	(36 154)	101 275
Netherlands Trust Fund for Special Action Programme for Public Administration and Management	135	1	(92)	44
Trust Fund for the Follow-up Activities to the World Summit on Social Development — phase II	92	–	(92)	–
Trust Fund for the Global Environmental Facility	250 850	355 945	(293 866)	312 929
Trust Fund to Combat Desertification and Drought	8 560	(1 108)	(3 147)	4 305
UNDP Energy Account	868	306	(372)	802
UNDP Thematic Trust Fund for Democratic Governance	46 299	11 848	(30 705)	27 442
UNDP Thematic Trust Fund on Energy for Sustainable Development	2 271	5	(810)	1 466
UNDP Thematic Trust Fund on Environment	20 071	12 724	(5 604)	27 191
UNDP Thematic Trust Fund on Gender	1 485	2 069	(2 010)	1 544
UNDP Thematic Trust Fund on Information and Communications Technology	5 427	53	(1 384)	4 096
UNDP Thematic Trust Fund on Poverty Reduction for Sustainable Development	9 500	7 024	(3 554)	12 970
UNDP Thematic Trust Funds on HIV/AIDS	1 782	16	(949)	849
UNDP Trust Fund for Public-Private Partnerships for the Urban Environment	707	3	(396)	314
UNDP Trust Fund for Support to the Government of Morocco for the Organization of the seventh session of the Conference of the Parties to the United Nations Framework Convention on Climate Change	2	(2)	–	–
UNDP Trust Fund for World Summit on Social Development	30	–	(27)	3
UNDP Trust Fund to Support the Organisation of the Warsaw Conference	1	–	–	1
UNDP/Germany Trust Fund for Decentralisation and Local Governance for Poverty Reduction	37	–	–	37
UNDP/United States Environmental Trust Fund	625	8	–	633
Total Fund Manager: UNDP Bureau of Development Policy	**450 993**	**426 446**	**(380 939)**	**496 500**
Fund Manager: UNDP Bureau of Management				
Trust Fund for Implementation of UNDP Business Plan Initiatives 2000-2003	545	4	(237)	312
UNDP 2001 Trust Fund	825	6	(209)	622
UNDP Trust Fund for the Evaluation of the United Nations Development Fund for Women	39	(8)	–	31
UNDP/SIDA Trust Fund for Assistance to UNDP-specific Activities	16 863	(2 531)	(10 526)	3 806

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
UNDP/United Kingdom Trust Fund on behalf of the UNSECOORD Programme for the Reinforcement of Security for United Nations Operations in Iraq	263	2	–	265
Total Fund Manager: UNDP Bureau of Management	**18 535**	**(2 527)**	**(10 972)**	**5 036**
Fund Manager: UNDP Bureau of Management/Division for Resource Planning and Coordination				
UNDP Trust Fund for the Developing Countries Afflicted by Famine and Malnutrition	87	(3)	–	84
Total Fund Manager UNDP Bureau of Management/Division for Resource Planning and Coordination	**87**	**(3)**	**–**	**84**
Fund Manager: UNDP Bureau of External Relations and Advocacy				
Belgium Trust Fund for Enhancing Private Sector Development Assistance for Developing Countries and Promoting United Nations Reform at the Country Level	40	–	–	40
EC Trust Fund for the European Millennium Campaign against Poverty	2	–	–	2
Fonds d'affectation spécial français	1 230	(113)	(394)	723
UNDP Millennium Trust Fund	204	–	–	204
UNDP Trust Fund for International Partnership	3 888	1 916	(2 241)	3 563
UNDP/Italy Trust Fund for Anti-Poverty Partnership Initiatives	2 399	27	(1 083)	1 343
UNDP-Republic of Korea — Millennium Development Goal Trust Fund for Programming Fund Based Cooperation	9 368	4 771	(2 908)	11 231
UNDP Trust Fund for Private Sector in Development	–	2 012	–	2 012
Total Fund Manager: UNDP Bureau of External Relations and Advocacy	**17 131**	**8 613**	**(6 626)**	**19 118**
Fund Manager: UNDP Development Operations Coordination Office				
EEC Trust fund for Development of Post-Conflict needs assessment and transitional results framework	1	–	–	1
Total Fund Manager: UNDP Development Operations Coordination Office	**1**	**–**	**–**	**1**
Fund Manager: UNDP Europe/Commonwealth of Independent States				
Drug control multisectoral assistance and institution building in Ukraine, Moldova and Belarus, phase 2	62	(62)	–	–
EEC programme supporting integrated border management systems in the South Caucasus	439	1 218	(1 713)	(56)
EEC Trust Fund for Border Management in Central Asia, Phase 6	(3)	3	–	–
EEC Trust Fund for Border Management in Central Asia, Phase 7	931	(744)	(78)	109

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
EEC Trust Fund for Community-based Approach to Local Development	(230)	230	–	–
EEC Trust Fund for Enhancement of Living Standards in Ferghana Valley, Uzbekistan	(99)	67	–	(32)
EEC Trust Fund for Enhancement of Living Standards in Ferghana Valley, Uzbekistan	(6)	435	(417)	12
EEC Trust Fund for European Union Border Assistance Mission to Moldova and Ukraine (EUBAM-5)	171	(171)	–	–
EEC Trust Fund for mainstreaming disaster risk management into decentralization process in Kyrgyzstan: strengthening capacities of vulnerable communities, local self-government bodies and partners to address disaster risks	26	–	(25)	1
EEC Trust Fund for Promoting Integrated Water Management and Fostering Transboundary dialogue in Central Asia	66	426	(517)	(25)
EEC Trust Fund for Small- and Medium-sized Enterprise Development in the Southeastern Anatolia Project GAP region — Turkey	247	–	(114)	133
EEC Trust Fund for Small Arms Control Programme in Bosnia and Herzegovina	(68)	–	–	(68)
EEC Trust Fund for Strengthening National Capacities for Strategic Planning and Policy Development in Bosnia and Herzegovina	(8)	7	–	(1)
EEC Trust Fund for support to enhancing regional trade and attracting new investments to Albania	14	(14)	–	–
EEC Trust Fund for Support to Strengthening the National Preventive Mechanism as per provisions of the Optional Protocol to the Convention against Torture	–	57	(84)	(27)
EEC Trust Fund for Private Sector Development within the Turkish Cypriot Community	(102)	186	(31)	53
EEC Trust Fund for Upgrading of the Local and Urban Infrastructures in northern Cyprus	245	52	(1 040)	(743)
EEC Trust Fund for Women and Children's Rights in Ukraine	371	(289)	(72)	10
EEC Trust Fund Technical Assistance for Industrial Restructuring of Sanhurfa in Turkey	21	15	–	36
EEC Trust Fund to upgrade the local and urban infrastructure in northern Cyprus, phase II	4 108	–	(4 025)	83
EEC/Croatia Trust Fund for Income Generation and Small- and Medium-Sized Enterprises Support — Quick-Impact Facility	20	–	(11)	9
Norway Trust Fund for Municipal Employment Assistance Programme in Macedonia	15	–	–	15
Trust Fund in Support of Estonia's State Programme for Integration of Non-Estonians into Estonian Society	42	42	–	84
UNDP Trust Fund for Support to Mine Action in Bosnia and Herzegovina	131	–	–	131
UNDP Trust Fund for Support to the Baltic Countries	142	–	–	142
UNDP Trust Fund for Urgent Human Needs in Uzbekistan	2	1 019	(316)	705
Total Fund Manager: UNDP Europe/Commonwealth of Independent States	**6 537**	**2 477**	**(8 443)**	**571**

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
Fund Manager: UNDP Geneva				
UNDP Trust Fund for Advocacy	17	(1)	5	21
UNDP Trust Fund for Innovative Partnerships with National Governments, Local Authorities, Private Sector, NGOs, Academic Institutions and Foundations	26 201	978	(9 844)	17 335
Total Fund Manager: UNDP Geneva	**26 218**	**977**	**(9 839)**	**17 356**
Fund Manager: UNDP Latin America and the Caribbean				
Belgium Trust Fund in Support of the Cuba Programme for Saneamiento Ambiental de la Bahía de la Habana	78	–	–	78
EC Programma de Recuperacion Ambiental Communitario para combatir la desertificaion	6	–	–	6
EC Trust Fund for Strengthening the National Capacity for Disaster Prevention and Preparedness in the Dominican Republic	41	–	–	41
ECHO Trust Fund for Fostering Knowledge Transfer and Replication of Best Practice in Disaster Preparedness/Risk Reduction within the Caribbean	1	–	–	1
ECHO/Jamaica Trust Fund for Community Disaster Management Strengthening Programme	1	–	–	1
EEC Trust Fund for Compilation and Dissemination of Disaster Preparedness Tools, methodologies and lessons learned in local level risk management in Central America	6	–	–	6
EEC Trust Fund for Human Development and Migration in El Salvador	3	(1)	(2)	–
EEC Trust Fund for Hurricanes Fay, Gustav, Anna and Ike in Haiti — Support to a joint Post-disaster Needs assessment and recovery planning exercise	(2)	–	–	(2)
EEC Trust Fund for Rural Electrification Programme in the Dominican Republic based on renewable energy sources	683	1 171	(480)	1 374
EEC Trust Fund for Support to Caribbean Regional Assistance Centre	5	–	–	5
EEC Trust Fund for Support to Prevention of the Diversion of Chemical Precursors for the Scope of Drug Manufacturing in the Andean Countries	228	–	–	228
EEC Trust Fund for Support to Social Infrastructure Project — rehabilitation of 35.5 kms of roadway from Port-Paix to Jean Rabel — Haiti	2	(2)	–	–
EEC Trust Fund for Support to the Caribbean Regional Technical Assistance Centre	55	–	–	55
EEC Trust Fund for support to the fight against illicit accumulation and trafficking in firearms in Central America and neighbouring countries	23	41	(64)	–
EEC Trust Fund for support to the organization of local, legislative and presidential elections in Haiti	3	–	–	3
EEC Trust Fund pour "Appui au renforcement de la societé civile dans le cadre de participation au processus de réforme de la justice pénale en Haïti"	43	5	–	48

Name of Trust Fund	*Opening net assets 1 January 2012 (restated)*	*Revenue*	*(Expenses)*	*Closing net assets as at 31 December 2012*
EEC Trust Fund pour "Appui des élections locales, législatives et presidentielles en Haiti"	1	–	–	1
EEC/ECHO Trust Fund for Radar Early Warning in the Caribbean	(9)	9	–	–
EEC — Ecological and financial sustainable management of the Guiana Shield Ecoregion, Guyana	213	600	(432)	381
EEC Trust Fund for Barbados Overseas Territories Regional Risk Reduction Initiative — R3I	1 505	1 976	(3 504)	(23)
EU Component within the Guyana Long-term Observation Group Observation Mission — General Elections in Guyana	4	(4)	–	–
EU Electoral Observation Mission to El Salvador, 2009	854	(881)	–	(27)
International Commission Against Impunity in Guatemala	6 297	16 832	(12 163)	10 966
Programme for Democratic Development in Latin America (PRODDAL II)	5	–	–	5
UNDP Trust Fund for Assistance to the Haitian National Police	118	(31)	–	87
UNDP/EEC Trust Fund for Support to Parliamentary and Presidential Elections in Guyana	72	(72)	–	–
UNDP/Spain Trust Fund for Integrated and Inclusive Development	15 070	256	(6 693)	8 633
UNDP/Spain Trust Fund for Support to the Governance in Central America	16	–	–	16
Total Fund Manager: UNDP Latin America and the Caribbean	**25 322**	**19 899**	**(23 338)**	**21 883**
Fund Manager: UNDP Office of Evaluation				
Norway Trust Fund for Evaluation Office of UNDP	80	1	–	81
UNDP Trust Fund for Capacity Development Assessment	(22)	–	22	–
Total Fund Manager: UNDP Office of Evaluation	**58**	**1**	**22**	**81**
Fund Manager: UNDP Technical Cooperation among Developing Countries				
IBSA Facility for Poverty and Hunger Alleviation	11 850	2 943	(2 522)	12 271
Perez-Guerrero Trust Fund for Economic and Technical Cooperation among Developing Countries	7 092	310	(229)	7 173
UNDP Trust Fund for the Promotion of South-South Cooperation	7 049	2 739	(3 301)	6 487
Total Fund Manager: UNDP Technical Cooperation among Developing Countries	**25 991**	**5 992**	**(6 052)**	**25 931**
Grand total Trust Funds	**1 139 877**	**827 174**	**(858 494)**	**1 108 557**

Abbreviations: AJK, Azzad Jammu and Kashmir; CNIDAH, Inter-Sectoral Commission on Demining and Humanitarian Assistance; ECHO, Directorate-General for Humanitarian Aid and Civil Protection; ECOWAS, Economic Community of West African States; EEG, Environment and Energy Group West African States; IDA, International Development Association; IBSA, India, Brazil and South Africa; MNLF, Moro National Liberation Front; UEMOA, West African Economic and Monetary Union; UNSECOORD, United Nations Security Coordinator.

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